

SUMMARY APPRAISAL REPORT



SKYLINE MANOR
HEALTH CENTER/ ASSISTED LIVING / INDEPENDENT LIVING
AND RELATED SITE IMPROVEMENTS
LOCATED AT 7350 GRACELAND DRIVE
OMAHA, NEBRASKA 68134

AS OF
JULY 8, 2013

PREPARED FOR
MR. JOHN BARTLE
AMERICARE PARTNERS
A BVM MANAGEMENT AFFILIATE
P.O. BOX 501188
INDIANAPOLIS, IN 46250

PREPARED BY
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August 8, 20013

Mr. John Bartle
AmeriCare Partners,
a BMV Management Affiliate
P.O. Box 501188
Indianapolis, IN 46250

RE: Summary Appraisal Report
Skyline Manor, Inc. Property
7350 Graceland Drive
Omaha, Nebraska 68134

Dear Mr. Bartle:

At your request and for the purpose of appraisal, I have personally inspected the subject property site. In making this appraisal I have surveyed the market for pertinent data and have considered this data in arriving at my value conclusion.

My summary appraisal report is attached outlining the data and reasoning employed in arriving at the value conclusions. Also included in the report are underlying assumptions and limiting conditions, certification, and qualifications of the appraiser.

As a result of this study and analysis, it is my conclusion that the market value of the subject property, as of my date of inspection, July 8, 2013 is:

	<u>"As Is"</u>	<u>"As Stabilized"</u> <u>as of 7/2/2013</u>
Skyline Manor	\$12,500,000	\$14,600,000
Skyline Villa	<u>6,000,000</u>	<u>11,400,000</u>
Total	\$18,500,000	\$26,000,000

Mr. John Bartel
AmeriCare Partners
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I appreciate the opportunity to assist you in this appraisal project. Should you have any questions regarding this appraisal report, please contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dennis J. Knudson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Dennis J. Knudson, MAI
Nebraska General Certified Appraiser CG920136

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ASSUMPTIONS AND LIMITING CONDITIONS

In conducting this appraisal I have assumed, except as otherwise noted in this report, the following:

1. Title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and is available for its highest and best use.
2. There is no existing judgments or pending or threatened litigation, which could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements which would render the property more or less valuable.
4. The revenue stamps placed on any deed to indicate the sale price is in correct relation to the actual dollar amount of the transaction.
5. The land and improvements are in compliance with all applicable building, environmental, zoning and other federal, state and local laws, regulations and codes.

The report is subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents only an estimate of a property's market value.
2. The conclusions stated in the appraisal apply only as of the date indicated and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal and I reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law the appraisal assumes that such statements would be favorable and will be approved by the appropriate regulatory bodies.
5. By reason of this assignment I am not required to give testimony or to be in attendance in court or any government or other hearing with reference to the property without written contractual arrangements having been made relative to such additional employment.

ASSUMPTIONS AND LIMITING CONDITIONS (CONTINUED)

6. I have not made a survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be accurately scaled for size. The appraisal covers the property as described in this report and the areas and dimensions set forth herein are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any and I have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in the appraisal.
8. No responsibility is accepted by me for considerations requiring expertise in other fields. Such considerations include but are not limited to, legal descriptions and other legal matters, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
9. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. This appraisal should be considered only in its entirety. No part of this appraisal is authorized to be utilized separately or out of context.
10. No part of this report (especially any conclusions as to values of the property or the identity of the appraiser) is authorized to be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the appraiser.
11. Any information, estimates and opinions contained in this report, obtained from sources outside of this office are assumed to be reliable and in some cases have not been independently verified.
12. Any income and expense estimates contained in this appraisal are used only for the purpose of estimating current market value and do not constitute predictions of future operating results.
13. No assurance is provided that the methodology and/or results of the appraisal will not be successfully challenged by the Internal Revenue Service. In particular, the methodology for appraising certain types of properties.

ASSUMPTIONS AND LIMITING CONDITIONS (CONTINUED)

14. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time the leases expire or otherwise terminate.
15. No consideration has been given to personal property, which might be located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered, unless otherwise stated.
16. The current purchasing power of the dollar is the basis for the value stated in this appraisal; I have assumed that no extreme fluctuations in economic cycles will occur.
17. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from these Underlying Assumptions and Limiting Conditions.
18. The analysis contained in this report necessarily incorporates numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of the material changes in the competitive environment and other matters. Some estimates or assumptions however, inevitably will not materialize and unanticipated events and circumstances may occur; therefore actual results achieved during the period covered by my analysis will vary from my estimates and the variations may be material.
19. The Americans with Disabilities Act (ADA) became effective January 26, 1992. There has not been a specific survey or analysis of this property made, to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Given that compliance can change with each owner's financial ability to cure non accessibility, the value of the subject does not consider possible non compliance. Specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

SUMMARY OF IMPORTANT DATA AND CONCLUSIONS

Effective Date of Appraisal: July 8, 2013

Property Appraised: 348 Unit, consisting of 115 independent living units; 35 independent living apartments; 68 assisted living units; 30 memory care units; and 100 skilled cared beds. The total area in all buildings is 318,717 square feet located on an 13.83 acre site assessed as 10 parcels by the Douglas County Assessor. Of the 10 parcels, there are 7 vacant parcels that contain a total land area of 169,896 square feet. The 10 parcels have the following applicable:

Parcel	Parcel ID #	Land Size (SF)	Improvement Building	Improvement Size (SF)
1	2769-0002-06	168,528	Villa	180,067
2	2768-0000-06	19,250	Vacant	0
3	2770-0000-06	182,842	Skyline Manor	136,274
4	2765-0000-06	39,198	Vacant	0
5	2763-0000-06	21,760	Vacant	0
6	2759-0000-06	17,500	Vacant	0
7	2758-0000-06	17,980	Vacant	0
8	2757-0000-06	38,528	Vacant	0
9	2760-0000-06	81,152	2 Sheds	2,376
10	2756-0000-06	15,680	Vacant	0
Total		602,418	or 13.83 acres	318,717

Note: There are two single-family residences on site that are not evaluated.

Type of Property Appraised: Senior Housing Project

Legal Description: Parcel 1 – Lots 119, 122, 123, South ½ of 124, and 125; Parcel 2 – Lot 124, except Northeasterly 20.6' for road; Parcel 3 – Lots 117, 118, Northeasterly 17' of Lots 126-128, and ½ of vacated street; Parcel 4 – Lot 121; Parcel 5 – Irregular West 155.5' of Lot 120 and ½ of vacated street; Parcel 6 – Westerly 100' of Lot 114 and ½ vacated street; Parcel 7 – Lot 114, except for Westerly 100' and ½ vacated street; Parcel 8 – Lot 113; Parcel 9 – Lot 115 and ½ vacated street; and Parcel 10 – North 70' of Lot 112, all in Benson Acres, an addition to the City of Omaha, as surveyed, platted and recorded in Douglas County, Nebraska

SUMMARY OF RELEVANT DATA AND CONCLUSIONS (CONTINUED)

Property Rights Appraised: The unencumbered fee simple interest in the property is being appraised.

Current Owners: Skyline Manor, Inc.
7300 Graceland Drive
Omaha, NE 68134

Zoning: R-8 PUD, High-Density Multiple-Family Residential District
with Planned Unit Development District Overlay

Site Size:

Parcel	Land Size (SF)
1	168,528
2	19,250
3	182,842
4	39,198
5	21,760
6	17,500
7	17,980
8	38,528
9	81,152
10	15,680
	602,418

Improvements: Skyline Manor consists of the following:

Description	SF Area
Health Center/Assisted Living - 5 connected buildings	180,067
Independent Living Manor	136,274
21 Unit Garage	5,880
Shed #1	1,152
Shed #2	1,224
Total	324,597

Personal Property: Personal property will consist of furniture, fixtures, and equipment to be utilized in the operation of Skyline Manor seniors housing project.

SUMMARY OF RELEVANT DATA AND CONCLUSIONS (CONTINUED)

Other Site Improvements: Other site improvements include 150,000 square feet of paved parking and drive areas, outside lighting and landscaping.

Highest and Best Use of Site and Property: Mixed use senior housing facility consisting of 115 independent living units; 35 independent living apartments; 68 assisted living units; 30 memory care units; and 100 skilled cared beds for a total of 348 units.

Value Indications

	<u>Skyline Manor</u>	<u>Skyline Villa</u>	<u>Total</u>
Cost Approach "As Is"			
Land	\$2,160,000	\$840,000	\$3,000,000
Improvements	\$11,040,000	\$4,900,000	\$15,940,000
Total	\$13,200,000	\$5,740,000	\$18,940,000
Cost Approach "As Stabilized"			
Land	\$2,160,000	\$840,000	\$3,000,000
Improvements	\$15,740,000	\$9,800,000	\$25,540,000
Total	\$17,900,000	\$10,640,000	\$28,540,000
Sales Comparison Approach "As Is"	\$12,000,000	\$6,000,000	\$18,000,000
Sales Comparison Approach "As Stabilized"	\$15,000,000	\$11,800,000	\$26,800,000
Income Capitalization Approach "As Is"	\$13,100,000	\$5,600,000	\$18,700,000
Income Capitalization Approach "As Stabilized"	\$14,600,000	\$11,400,000	\$26,000,000

	<u>"As Is"</u>	<u>"As Stabilized"</u>
Valuation of Skyline Manor and Skyline Villa	\$18,500,000	\$26,000,000

SCOPE OF THE APPRAISAL

The scope of this appraisal is to provide a written narrative report supporting the market value of the Skyline Manor senior housing facility consisting of 115 independent living units; 35 independent living apartments; 68 assisted living units; 30 memory care units; and 100 skilled care beds for a total of 348 units. In addition, there are two sheds, a 17 car garage building containing 5,880 square feet, and 150,000 square feet of asphalt paving. The site is located at the southwest corner of North 72nd Street and Military Avenue in north-central Omaha. This appraisal will estimate the market value for the entire complex as of the date of appraisal, July 8, 2013.

The main focus of this appraisal is to appraise the property "as is". According to Mr. Lou Jackson, owner, there is a multi-million renovation plan scheduled for the entire complex. The valuation premise of this report is an "as is" valuation and an "as stabilized" value premises at 90% occupancy.

My opinion of value is supported with market information and analysis, which is documented as thoroughly as possible. Other data and analysis is contained in my office files. Underlying assumptions and limiting conditions and the appraiser's certification set forth the limits in which the final opinion is contained.

PROPERTY IDENTIFICATION

The subject property consists of a senior housing facility consisting of 115 independent living units; 35 independent living apartments; 68 assisted living units; 30 memory care units; and 100 skilled cared beds for a total of 348 units and related improvements. The entire facility is located at the southwest corner of North 72nd Street and Military Avenue in north central Omaha.

OWNER OF RECORD

The current owner is:

Skyline Manor, Inc.
7300 Graceland Drive
Omaha, NE 68134

EFFECTIVE DATE OF THE APPRAISAL

The effective date of this appraisal is July 8, 2013. On this date, Dennis J. Knudson met with Mr. Dean Wiese, Senior Maintenance Man for the facility. All interior/exterior digital photographs, which are included in the Addendum of this report, were taken by Dennis J. Knudson on this date.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to estimate the market value of the fee simple title to the subject property's real estate.

LEGAL DESCRIPTION

The legal description of the subject property, according to the Douglas County Assessor's records, is:

Parcel 1 – Lots 119, 122, 123, South ½ of 124, and 125; Parcel 2 – Lot 124, except Northeasterly 20.6' for road; Parcel 3 – Lots 117, 118, Northeasterly 17' of Lots 126-128, and ½ of vacated street; Parcel 4 – Lot 121; Parcel 5 – Irregular West 155.5' of Lot 120 and ½ of vacated street; Parcel 6 – Westerly 100' of Lot 114 and ½ vacated street; Parcel 7 – Lot 114, except for Westerly 100' and ½ vacated street; Parcel 8 – Lot 113; Parcel 9 – Lot 115 and ½ vacated street; and Parcel 10 – North 70' of Lot 112, all in Benson Acres, an addition to the City of Omaha, as surveyed, platted and recorded in Douglas County, Nebraska

DEFINITION OF MARKET VALUE

Market value as defined in *The Dictionary of Real Estate Appraisal*, Fourth Edition, published by the Appraisal Institute in 2002 on Page 177 is as follows:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(12 C.R.F. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992;
59 *Federal Register* 29499, June 7, 1994).

PROPERTY RIGHTS APPRAISED

The unencumbered fee simple interest in the property is being appraised. Property rights appraised are defined as follows in *The Dictionary of Real Estate Appraisal*, 4th edition, published by the Appraisal Institute in 2002, on page 113:

Fee Simple Estate. “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

The subject property rights are subject to any leases, easements, restrictions, and/or covenants of record, if any.

UTILITIES

All public utilities including electricity, sanitary sewer, storm sewer, water, natural gas and telephone service are available in the area of the subject property site.

TAXES AND ASSESSMENTS

According to the Douglas County records, this parcel has been assessed and valued as follows:

Parcel	Parcel ID #	Assessed Land Value	Assessed Improvement Value	Total Assessment	2012 Real Estate Taxes Payable 2013
1	2769-0002-06	\$900,000	\$4,400,000	\$5,300,000	\$111,457.94
2	2768-0000-06	\$46,400	\$0	\$46,400	\$975.78
3	2770-0000-06	\$248,700	\$3,581,000	\$3,829,700	\$69,903.96
4	2765-0000-06	\$94,500	\$0	\$94,500	\$1,987.32
5	2763-0000-06	\$14,600	\$0	\$14,600	\$307.04
6	2759-0000-06	\$13,800	\$0	\$13,800	\$290.22
7	2758-0000-06	\$16,800	\$0	\$16,800	\$353.32
8	2757-0000-06	\$22,200	\$0	\$22,200	\$466.88
9	2760-0000-06	\$21,800	\$33,800	\$55,600	\$1,169.28
10	2756-0000-06	\$10,000	\$0	\$10,000	\$210.32
	Total	\$1,388,800	\$8,014,800	\$9,403,600	\$187,122.06

Taxes are current as of the date of this report.

FLOODPLAIN

According to the National Flood Insurance Program, Flood Insurance Rate Map, the subject property is not located within a flood hazard area. The Community Panel examined by the appraiser was 31055C0217H, effective December 2, 2005, for the City of Omaha, Douglas County, Nebraska. These Flood Insurance Rate Maps are published by the Federal Emergency Management Agency.

FUNCTION OF THE APPRAISAL

The function of the appraisal is to estimate the market value of the subject property for mortgage financing purposes both on an “as is” basis and on an “as stabilized” basis on 90% occupancy. There are a total 10 parcels, which have been delineated in a previous section of this report. The 10 parcels are situated on a 13.83 acre site. There are two single-family residences on the campus that are not valued in this appraisal report.

ZONING

The subject property is zoned R-8 PUD, High-Density Multiple-Family Residential District with Planned Unit Development District Overlay. The City of Omaha Zoning Ordinance, Article Six, Section 55-222, states:

“The R8 high-density multiple-family residential district is intended to accommodate high-density multiple-family housing. The R8 district also provides for the inclusion of limited office and commercial uses, subject to specific standards for buffering and land use intensity. This allows for a mixture of compatible uses within appropriate high-density urban neighborhoods. The R8 district is most appropriate in centrally located areas near supporting urban services; near major institutional, employment and commercial centers; and in other areas appropriate for high-density, predominantly residential uses.”

For permitted uses, conditional uses, special permit uses, site development regulations, and additional regulations, please refer to the Addendum section of this report for a copy of the R-8 High-Density Multiple-Family Residential District zoning regulations.

HISTORY OF THE SUBJECT PROPERTY

There have been no recorded transactions of the subject property over the past three year time frame. To the appraisers knowledge, there is not a pending purchase of the property. This has been confirmed by one of the owners, Mr. John Bartle.

BUILDING ACCESSIBILITY REQUIREMENTS

The subject property is a senior housing project consisting of 115 independent living units / 35 independent living apartments / 68 assisted living units / 30 memory care units and 100 skilled cared beds for a total of 348 units and related site improvements including two sheds, garage buildings, and 150,000 square feet of asphalt paving. This type of property falls under the purview of accessibility requirements as set forth by the Americans with Disabilities Act (ADA). This federal statute requires accessibility and certain other building features to allow access and use by persons with specific disabilities. All restrooms are handicapped accessible, all buildings have ramps for wheelchair access, and there are handicapped parking stalls available. In addition, other building handicapped requirements, such as equipment for hearing impaired and blind persons are present. The appraiser, however, has not made and is not qualified to make an inspection for compliance with all of the requirements of the ADA. Consequently, this appraisal report is made subject to the following limiting condition:

The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative impact on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

COMPETENCY PROVISION

The competency provision of the Uniform Standards of Professional Appraisal Practice (USPAP) states in brief that an appraiser must state his knowledge or lack of knowledge in the subject of the appraisal assignment. As a General Certified Appraiser in the State of Nebraska for many years, I have successfully completed numerous appraisal reports of assisted living facilities, nursing homes, special purpose properties, institutional properties, and many other types of properties.

PRIOR ASSIGNMENT DISCLOSURE

In accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, an appraiser must disclose to the client any services regarding the subject property, provided as an appraiser or in any other capacity during the three years prior to accepting a new assignment. I appraised the subject property previously on November 29, 2010, which is as stated in the Certification of this report.

OMAHA METROPOLITAN AREA

Omaha is Nebraska's largest population center. It is situated on the western bank of the Missouri River, which serves as the Nebraska-Iowa boundary. The City of Omaha is located in Douglas County. The Omaha Metropolitan Statistical Area (MSA) is comprised of eight counties – Cass, Douglas, Sarpy, Washington, and Saunders Counties in Nebraska and Pottawattamie, Harrison, and Mills Counties in Iowa. The Omaha MSA covers 4,363 square miles.

History

According to Indian legend, Omaha literally means “above all others upon a stream”. That stream, the Missouri River, played an important part in the development of the city. The City of Omaha was originally laid out in 1854 by a ferry company operating between Iowa and the new Nebraska territory. By June 1855, the population had grown to 250 while lots were being sold for \$100; two years later the population was approximately 1,500 and lots were selling for \$4,000.

Omaha grew to be a thriving commercial and cultural center. The Mormons, on their westward trek, set up winter quarters, constructing nearly 1,000 houses in Florence, a site north of town. A cemetery and memorial today bear witness to the brutal winter of 1855-56 and the losses in the Mormon camp.

The City of Omaha grew rapidly after President Lincoln located the eastern terminus of the first transcontinental railroad (Union Pacific Railroad) in Omaha, breaking ground in December, 1863. Today, Omaha is headquarters to Union Pacific Railroad and is served by three Class I railroads. Transportation by river, rail and air has played an important role in Omaha's growth. The Western Union Telegraph Co., under the guidance of Edward Creighton (for whom Omaha's Creighton University was named), strung the first telegraph wires west from Omaha, while another company worked eastward from California to eventually link the Atlantic and Pacific Coasts for the first time in 1861.

Agriculture is an integral part of Omaha's heritage. Since the first meat packing plant opened in 1871 and the Union Stock Yards began operations, Omaha grew to dominate the industry, becoming the largest livestock market in 1955. The livestock market has since declined, but the production of various food products is still an essential aspect of the Omaha economy.

Omaha's role in military history dates back to 1868 when Omaha Barracks was established for protection of settlers and railroad workers, later called Fort Crook. During World War II, Fort Crook came into importance when the Martin Aircraft Corp. established a plant to produce B-26 and B-29 bombers. Today, the Fort Crook facilities are part of Offutt Air Force Base, the home of the U. S. Strategic Command.

OMAHA METROPOLITAN AREA (CONTINUED)

Population

The City of Omaha, located in Douglas County, has a population of over 454,000 and ranks as the nation's 40th largest city. The eight county MSA has a population of more than 800,000, the 60th largest MSA in the United States. Nearly 1,200,000 people live in the Greater Omaha Area and 55 million live within a 50 mile radius.

The following table illustrates historical population trends for the Omaha Metropolitan Area.

	2000	2010	% Change
Douglas County, NE	463,585	517,110	11.5%
Sarpy County, NE	122,595	158,840	29.6%
Washington County, NE	18,780	20,234	7.7%
Mills County, IA	14,547	15,059	3.5%
Pottawattamie County, IA	87,704	93,158	6.2%
	707,211	804,401	13.7%

The steady growth of the Omaha Metropolitan Area population is expected to continue. Population projections point an estimated population of 858,000 in 2014.

Location

Major cities within a 500-mile radius include Chicago, Denver, Kansas City, Milwaukee, Minneapolis, Oklahoma City and St. Louis. Omaha's central location provides easy access to trucking, railroad, airline, and barge transportation.

Climate

Omaha has a continental climate with relatively warm summers and cold dry winters. Most precipitation occurs during April-September in the form of showers or thunderstorms in the evening hours.

Average High Temperature – January / July	30.8° / 87.7°
Average Low Temperature – January / July	11.5° / 66.4°
Average Annual Rainfall	28.8"
Average Annual Snowfall	29.4"

Government - City Services

The City of Omaha uses the "strong mayor" form of government. The mayor performs both administrative and executive duties including appointing directors for the various city departments. Omaha is governed by a 7 member City Council. Douglas County, which includes Omaha and its western rural sections, operates under a five-member Board of County Commissioners. Omaha has approximately 640 fire department personnel with a fire insurance class of 3 in the city and 7-10 outside the city. There are approximately 998 police department personnel.

OMAHA METROPOLITAN AREA (CONTINUED)

Transportation

The Omaha metropolitan area is a midwestern transportation hub. Capitalizing on Omaha's strategic central geographic location, the four major modes of transportation – air, motor, rail and water have been developed to provide quality service.

Air – Eppley Airfield is located five minutes from downtown Omaha and only 20 to 25 minutes from all other points in the metro area. During 2010, Eppley Airfield served over 4.2 million passengers and 156 million pounds of cargo and mail.

Motor Freight Carriers – The Omaha area offers businesses direct transcontinental access to national markets. Over 100 motor freight carriers base their operations in the Omaha area.

Highways – Omaha is strategically located at the intersection of Interstate Highways 29 and 80. Interstate 80 has two beltways around the city and is six lanes from Omaha to Lincoln. This excellent Interstate access is complimented by the convergence in Omaha of four U.S. and eight state highways.

Rail Transportation – The nation's first transcontinental railroad, Union Pacific, maintains its headquarters in Omaha. BNSF Railway strengthened its Omaha connection as a recently acquired subsidiary of locally based Berkshire Hathaway, Inc. AMTRAK passenger train service is also available.

Water Transportation – Barge lines carry fertilizer, cement, chemicals, iron, steel, and newsprint along the Missouri River.

The Omaha Foreign Trade Zone currently consists of 38 acres of land in the Riverfront Industrial Park, minutes from Eppley Airfield and downtown. A sub-zone option is available to businesses whose needs are not met by the main Foreign Trade Zone.

Local Transportation – Public transportation is provided by Metro Area Transit, better known as MAT. MAT's service area includes the cities of Omaha, Council Bluffs, Bellevue, Ralston, Papillion, and LaVista. MAT buses travel over six million miles annually and provide transportation for over 12 million customers.

Economy – Labor/Industry

The labor force within a 60 mile radius of central Omaha total more than 710,000 people. Nine out of 10 adults age 25 and older have a high school diploma and one in three have a bachelor's degree or higher. There percentages are above the national average.

OMAHA METROPOLITAN AREA (CONTINUED)

For businesses looking to expand or relocate, Omaha offers central location, relatively low unemployment, solid infrastructure, and low utility rates. In addition to being an important center for agribusiness and insurance, the Omaha area is a center for information technology, transportation, health care, education, and government.

Omaha is home to five Fortune 500 companies – ConAgra, Union Pacific, Berkshire Hathaway, Peter Kiewit, and Mutual of Omaha Insurance. There are five Fortune 1000 companies with their headquarters in Omaha – TD Ameritrade, West Corporation, Green Plains Renewable Energy, Valmont Industries, and Werner Enterprises. The headquarters of insurance companies, direct response/telemarketing centers, and a number of other national and international firms are in Omaha; as well as Offutt Air Force Base, headquarters of the Strategic Air Command.

The following table shows the top 25 employers in the Omaha Metro Area.

Greater Omaha's Top 25 Largest Employers

Offutt Air Force Base	7500+
Alegent Health	7500+
Omaha Public Schools	7500+
Nebraska Medical Center	5000+
Methodist Health System	5000+
First Data	5000+
Union Pacific	2500+
University of Nebraska Medical Center	2500+
West Corp.	2500+
First National Bank of Omaha	2500+
Mutual of Omaha	2500+
ConAgra Foods	2500+
Creighton University	2500+
City of Omaha	2500+
University of Nebraska at Omaha	2500+
PayPal	2500+
Millard Public Schools	2500+
Target Stores	2500+
Omaha Public Power District	1000+
Douglas County	1000+
Omaha World-Herald	1000+
Children's Hospital and Medical Center	1000+
TD Ameritrade	1000+
Omaha Steaks	1000+
Peter Kiewit Sons	1000+

The following charts are Omaha Indicators and Omaha Trends as published by the Omaha Chamber of Commerce for the last 12 month period and Years 1990 to 2010.

Sources: Nebraska Department of Labor, U.S. Department of Labor, M.U.D., O.P.P.D., Nebraska Department of Revenue, Omaha Airport Authority, Omaha World-Herald, Omaha Area Board of Realtors, Southwest Iowa Association of Realtors, City of Omaha and the cities of Council Bluffs, Blair, Plattsmouth, Glenwood, Gretna, Springfield, Bellevue, Papillion, La Vista and Sarpy, Douglas, Cass and Washington counties.

Greater Omaha Indicators	Mar-13	Feb-13	Jan-13	Dec-12	Nov-12	Oct-12	Sep-12	Aug-12	Jul-12	Jun-12	May-12	Apr-12	Mar-12
Labor Market: Household Survey													
Labor Force (#sa)	467,401	466,777	465,992	465,165	464,396	463,771	463,302	462,894	462,425	461,926	461,563	461,500	461,730
Employment (#sa)	448,357	447,382	446,270	445,154	444,145	443,320	442,690	442,185	441,767	441,429	441,214	441,134	441,084
Unemployment (#sa)	19,045	19,395	19,721	20,011	20,250	20,451	20,622	20,709	20,658	20,496	20,349	20,366	20,646
Unemployment Rate - Omaha (% sa)	4.1	4.2	4.2	4.3	4.4	4.4	4.5	4.5	4.5	4.4	4.4	4.4	4.5
Unemployment Rate - Nebraska (% sa)	3.8	3.8	3.8	3.8	3.8	3.9	3.9	4.0	4.0	4.0	4.0	4.0	4.0
Unemployment Rate - US (% sa)	7.6	7.7	7.8	7.8	7.8	7.9	7.8	8.1	8.2	8.2	8.2	8.1	8.2
Labor Market: Establishment Survey													
Total Employment (000s, sa)	469.6	469.4	469.1	468.9	468.7	468.4	468.3	468.1	468.0	467.7	467.4	467.0	466.5
Private Employment (000s, sa)	404.7	404.4	404.1	403.7	403.3	402.8	402.5	402.3	402.2	402.0	401.7	401.3	400.8
Construction/Mining (000s, sa)	22.9	22.7	22.4	22.1	21.8	21.4	21.2	21.0	20.8	20.8	20.8	20.9	20.9
Manufacturing (000s, sa)	31.5	31.5	31.5	31.5	31.4	31.4	31.4	31.4	31.4	31.4	31.3	31.2	31.2
Trade, Trans. and Utilities (000s, sa)	93.2	93.3	93.4	93.4	93.4	93.5	93.7	93.9	94.1	94.2	94.1	94.1	94.0
Information (000s, sa)	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Financial Activities (000s, sa)	41.7	41.7	41.7	41.7	41.7	41.7	41.7	41.7	41.7	41.6	41.5	41.4	41.4
Prof. and Business Services (000s, sa)	67.3	67.2	67.2	67.2	67.2	67.1	66.9	66.7	66.6	66.5	66.4	66.3	66.2
Educ. and Health Services (000s, sa)	73.8	73.7	73.6	73.5	73.4	73.4	73.4	73.3	73.2	73.1	72.9	72.8	72.7
Leisure and Hospitality (000s, sa)	45.4	45.4	45.5	45.6	45.6	45.6	45.5	45.5	45.6	45.7	45.8	45.8	45.7
Other Services (000s, sa)	17.5	17.5	17.5	17.4	17.4	17.4	17.4	17.4	17.4	17.5	17.5	17.4	17.4
Government (000s, sa)	64.8	64.9	65.0	65.2	65.4	65.6	65.8	65.8	65.8	65.7	65.7	65.7	65.7
Construction Permits													
Total Permits (# sa)	315	316	314	315	307	287	282	250	242	233	225	232	259
Valuation (\$000, nsa)	92,378	76,427	82,547	45,514	68,087	90,108	89,483	56,956	75,347	154,611	104,090	723,457	92,888
Single-Family Residential Permits (# sa)	243	246	246	243	234	219	199	179	164	155	153	157	165
Valuation (\$000, nsa)	42,020	28,659	31,082	25,794	37,294	27,180	39,168	37,690	30,972	37,187	38,226	32,389	30,488
Non-Residential Permits (# sa)	69	68	68	67	67	66	66	67	67	69	70	72	74
Valuation (\$000, nsa)	44,002	44,750	51,455	14,589	17,817	57,445	48,149	17,123	42,979	98,458	62,929	14,732	33,133
Multi-Family Residential Units (#, nsa)	110	40	0	72	167	78	34	20	22	253	50	6	269
Valuation (\$000, nsa)	6,356	2,818	0	5,131	12,977	5,483	2,165	2,142	1,395	18,966	2,935	676,336	29,267
New and Existing Home Sales													
Total Sales (#, sa)	1,034	1,021	1,012	1,001	990	981	970	957	947	944	949	960	968
Total Value (\$mm, nsa)	160.5	99.4	98.4	142.9	149.4	172.4	150.5	200.3	199.2	226.0	209.9	152.7	154.6
Utilities													
Electricity Customers (#, nsa)	355,148	355,096	354,391	354,722	353,974	353,974	352,611	354,788	362,431	360,969	361,159	360,192	358,627
Total Electricity Sold (mwh, sa)	863,918	872,788	881,091	888,787	896,709	904,197	909,701	912,407	912,407	911,707	907,762	901,646	894,612
Transportation													
Airline Passengers (000s, sa)	332.7	334.4	335.5	338.6	340.4	341.7	342.3	342.1	341.6	341.2	341.3	342.4	344.2
Airline Cargo (mm lbs., sa)	7.9	7.9	7.8	7.8	7.8	7.7	7.7	7.7	7.6	7.6	7.5	7.4	7.3
Commerce													
Net Taxable Sales (\$mm, sa)	838.7	838.7	838.7	833.2	827.6	823.5	821.7	821.6	822.4	821.2	816.4	810.2	804.7
Motor Vehicles (\$mm, sa)	113.3	113.3	113.0	113.0	112.7	112.2	111.6	110.6	109.2	108.1	107.6	108.2	109.4
Prices													
Consumer Price Index - U.S. (v/vr %, nsa)	1.5	2.0	1.6	1.7	1.8	2.2	2.0	1.7	1.4	1.7	1.7	2.3	2.7
CPI - Midwest (v/vr %, nsa)	1.4	2.2	1.3	1.8	1.8	2.2	1.9	1.8	1.3	1.4	1.5	2.3	2.8
Personal Consumption Expenditure Index (v/vr %, sa)	1.0	1.3	1.3	1.5	1.5	1.8	1.6	1.4	1.3	1.5	1.5	1.9	2.2
PCE Index, ex Food & Energy (v/vr %, sa)	1.1	1.3	1.4	1.4	1.5	1.8	1.5	1.5	1.7	1.8	1.7	1.9	2.0

Note: sa = seasonally adjusted; nsa = not seasonally adjusted.

OMAHA METROPOLITAN AREA (CONTINUED)

Omaha Trends								
EMPLOYMENT (000s) Annual Average								
Total Non-Farm Employment	1990	2000	2005	2008	2009	2010	2011	2012*
Private Employment	355.2	441.6	448.8	469.8	459.5	457.3	460.4	467.9
Mining, Logging and Construction	301.8	386.4	388.9	407.7	395.1	392.1	395.0	402.6
Manufacturing	12.4	23.2	25.7	25.7	23.8	20.9	19.9	21.4
Trade, Transportation & Utilities	32.8	35.7	32.9	33.8	31.5	31.2	31.4	32.0
Information	90.6	107.5	99.4	99.7	95.1	93.7	93.2	94.4
Financial Activities	10.8	15.1	13.3	12.2	11.5	11.2	11.0	10.7
Professional and Business Services	29.8	35.7	37.6	40.7	40.1	40.5	41.0	40.2
Education and Health Care Service	40.8	59.6	61.6	65.5	62.8	63.1	64.7	66.4
Leisure and Hospitality	40.7	54.5	60.2	67.8	69.1	70.2	71.9	75.0
Other Services	30.8	41.0	42.2	45.6	44.2	43.8	44.5	45.1
Government	13.1	14.2	16.1	16.7	17.1	17.5	17.3	17.4
	53.4	55.3	59.9	62.1	64.4	65.3	65.4	65.4
UNEMPLOYMENT RATE (%) Annual Average								
Omaha MSA	1990	2000	2005	2008	2009	2010	2011	2012*
State of Nebraska	2.8	2.8	4.3	3.6	5.1	5.2	5.0	4.3
United States	2.3	2.8	3.9	3.3	4.7	4.7	4.4	4.0
	5.6	4.0	5.1	5.8	9.3	9.6	8.9	8.1
BUILDING PERMITS Total								
Number of Permits/Units - Omaha MSA	1990	2000	2005	2008	2009	2010	2011	2012*
Single-Family Permits	2,161	3,393	5,487	2,885	2,677	2,072	1,960	1,922
Multi-Family Units	1,201	2,442	1,061	1,379	367	684	981	1,153
Non-Residential Permits	423	365	401	279	154	149	169	173
Total Permits (includes multi-family permits)	2,673	3,975	5,976	3,215	2,851	2,255	2,170	2,179
Valuation of Permits - Omaha MSA (\$ millions)								
Single-Family	149.6	357.1	706.1	429.7	406.6	345.6	334.8	353.0
Multi-Family	19.8	114.7	62.4	101.2	28.9	45.5	68.7	81.4
Non-Residential	93.2	228.1	196.0	409.6	204.8	156.5	191.9	300.0
Total Valuation	262.6	699.9	964.5	940.5	640.3	547.6	595.4	734.4
RETAIL Total								
Net Taxable Sales (\$ billions)	1990	2000	2005	2008	2009	2010	2011	2012*
Net Taxable Sales of Motor Vehicles (\$ millions)	4.2	7.0	8.7	9.2	9.0	9.2	9.6	7.2
	531.8	970.9	1,055.0	1,093.7	1,093.1	1,152.8	1,224.9	1,011.9
POPULATION Total								
Omaha MSA	1960	1970	1980	1990	2000	2010	2011	
City of Omaha	535,717	619,122	653,889	685,797	767,041	865,350	881,493	
	301,598	347,328	314,255	335,795	390,007	390,007	416,855	
GROSS METRO PRODUCT (2005 \$ millions) Total								
Total Real (inflation-adjusted) Output	2003	2004	2005	2006	2007	2008	2009	2010
Growth Rate (%)	37,647	38,834	39,389	40,775	42,095	41,872	42,203	42,367
Private Industries (inflation-adjusted) Output	3.9%	3.2%	1.4%	5.0%	6.9%	-0.5%	0.8%	0.4%
Growth Rate (%)	33,163	34,393	35,005	36,246	37,756	37,484	37,684	37,707
	4.6%	3.7%	1.8%	5.4%	7.9%	-0.7%	0.5%	0.1%

* Year to Date

Sources: Nebraska Department of Labor; U.S. Department of Labor, M.U.D., O.P.P.D., Nebraska Department of Revenue, Omaha Airport Authority, Omaha World-Herald, Omaha Area Board of Realtors, Southwest Iowa Association of Realtors, City of Omaha and the cities of Council Bluffs, Blair, Plattsmouth, Glenwood, Gretna, Springfield, Bellevue, Papillion, La Vista and Sarpy, Douglas, Cass and Washington counties.



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Cost of Living/Quality of Life

Quality of life consists of standard components such as the cost and availability of housing, education and health care, which are important factors in overall well being. It can include things such as good schools for the kids, plenty of parks and recreational space, clean air and water, availability of the arts or other cultural events, to a low crime rate, affordable homes, plenty of things to do, etc.

OMAHA METROPOLITAN AREA (CONTINUED)

Tax Information – (effective April 1, 2012) The sales and use tax rate for the State of Nebraska is 5.5%. In addition, the City of Omaha levies a 1.5% sales taxes for a combined total sales tax rate of 7%. Recently a ½ % “restaurant” tax was implemented by the City of Omaha. Property taxes are levied by local governments and there is no state property tax. Real estate taxes are based on 100% of valuation with levies ranging from around \$2.00 to over \$3.00 per assessed value.

Omaha is served by approximately 500 Houses of Worship encompassing most denominations.

A recent survey of 300 U.S. Cities reveals that price levels for consumer goods and services in Greater Omaha are consistently 10% - 12% below the average U.S. metro price level. The median price for an existing home was \$138,300, while the U.S. median was \$177,900 (28% higher).

The following table shows the top five out of 100 most populous metropolitan areas for cost-of-living adjusted median household income:

Metro Area	Median Household Income (Rank)	Adjusted Household Income (Rank)
Des Moines	\$56,986 (24)	\$62,637 (1)
Omaha	\$54,318 (35)	\$61,670 (2)
Washington, D.C.	\$85,258 (2)	\$61,240 (3)
Houston	\$55,408 (30)	\$61,157 (4)
Dallas-Ft. Worth	\$55,740 (28)	\$60,668 (5)

Retail Facilities

The Omaha Metropolitan Area is home to four regional shopping centers – Crossroads Mall, Westroads Mall, OakView Mall in Omaha and Mall of the Bluffs in Council Bluffs, Nebraska.

There are many neighborhood shopping centers located throughout the metropolitan area. Retail developments in the last ten years include Legacy, Lakeside, Western Springs, Tivoli, and Ridgeview located on West Center Road between 168th and 180th Streets, Benson Park Plaza at 72nd Street and Ames Avenue, Eagle Run at North 144th Street and Maple Streets, Twin Creek at 36th Street and Highway 370, Village Pointe at 168th Street and West Dodge Road; The Shoppes at Ak-Sar-Ben Village at 72nd and Pacific Streets; Sorensen Plaza at 72nd and Sorensen Parkway; Market Pointe at 72nd and Giles; and Shadow Lake Towne Center at 72nd and Highway 370. In addition, there is Lake Manawa Centre in Council Bluffs, as well as the two new centers – Metro Crossing and Marketplace.

OMAHA METROPOLITAN AREA (CONTINUED)

Utilities - Communications

Electricity – Nebraska is the only public power state in the nation and all electric utilities are non-profit and customer-owned. Omaha has low cost electric rates with residential and commercial/industrial rates below the national average, respectively. The Omaha Public Power District (OPPD) is headquartered in Omaha and serves 5,000 square miles in eastern Nebraska.

Natural Gas – Natural gas costs in Omaha are below the national average. Metropolitan Omaha is served by two gas utilities, Metropolitan Utilities District (MUD) and Black Hills Energy. MUD is a publicly-owned, non-profit water and gas utility with over 2,100 miles of mains and over 176,000 customers.

Water – Primary sources for Omaha's water supply are the Missouri River and a system of wells along the Platte River Basin. Omaha's water quality meets or exceeds all current and proposed federal water standards.

Sewer – Omaha's two watersheds are served by the City of Omaha's two modern treatment plants. Current reserve capacity in the system is 20 million gallons per day, with a current operating load of 100 million gallons per day. Omaha's Missouri River sewage treatment plant was named second best in the nation among large cities for facility management and compliance by the Environmental Protection Agency.

Communications – Telephone, cable, and internet service is provided by CenturyLink and Cox Communications. The Omaha World-Herald is the daily newspaper and has won three Pulitzer Prizes for its reporting and editorial excellence. In addition to three local network affiliates, the city is home to one of the nation's largest independent television stations. There are local cable companies and AM and FM radio stations.

Health Care

The Omaha Metropolitan Area has an outstanding health care system. According to Morgan Quitno's "Health Care State Rankings 2004", Nebraska is ranked as the 8th healthiest state in the U.S. The City's resources include two teaching hospitals, five nursing schools, two pharmacological centers, and a dental college. The Metropolitan Area also supports 16 full service hospitals and new hospitals constructed in the western sections of Omaha. Omaha is one of the few cities in the nation with two medical schools, Creighton University and the University of Nebraska Medical Center. Both are nationally recognized leaders in research and medicine. These universities bring together talented researchers, educators, and students who continually strengthen the base of medical knowledge and care in the community.

OMAHA METROPOLITAN AREA (CONTINUED)

Education

Greater Omaha is served by several excellent public and private school systems. There are more than 137,700 children (86% of all students) in metro area public schools. There are three public school districts within the Omaha city limits. Enrollment in private school systems totals more than 21,000.

Greater Omaha offers 17 colleges and universities. The combined student enrollment is more than 53,000. There are approximately 10,000 graduates each year from these institutions, which range from private colleges with enrollments of 600 students to the University of Nebraska at Omaha with over 14,000 students.

Two major medical schools are located in Omaha – the University of Nebraska Medical Center (UNMC) and Creighton University Medical Center, as well as two pharmacy schools, a school of dentistry, and other health professional schools. The Lied Center at UNMC is one of the nation's most active and most respected solid organ and bone marrow transplant centers.

Greater Omaha is home to a higher percentage of high school and college graduates than the national average. The national average of high school graduates is 85.5% compared to Omaha at 92.4%. The percentage for students earning a bachelor's degree is 34.9%, compared to the national average of 28.2%.

Please refer to the following for student population for the largest districts in the Omaha area.

School District	Student Enrollment (20102-2013)
Omaha Public Schools	50,559
Millard School District	23,395
Bellevue Schools	10,066
Papillion/LaVista School District	10,737
Westside Schools (District 66)	6,051
Ralston Public Schools	3,135
Elkhorn School District	6,459
Council Bluffs Public Schools	8,945

Recreation - Attractions

Omaha has a wide array of parks, museums, historical sites and entertainment areas that are open year-round. Many of these attractions are unique to the Omaha area and a number of activities are free or cost only a few dollars.

Attractions – Boys Town; Henry Doorly Zoo; Mallory Kountze Planetarium; Old Market; Mormon Winter Quarters; Malcolm X's birthsite; former President Ford's birthsite; and a variety of sites which celebrate our Western heritage.

OMAHA METROPOLITAN AREA (CONTINUED)

Recreation – Omaha’s parks and open space system create a scenic urban setting and provide an array of recreation activities for people in the Omaha area. Nearly 10,500 acres of parkland in over 247 parks form a system which provides for activities.

The city has an extensive range of first-class facilities including tennis courts, baseball/softball diamonds, swimming pools, and more than 20 public and private golf courses. Several bicycle/walking trails have been developed the Omaha area including the Keystone Trail.

Each year, Omaha is host to the College World Series, now played at the new TD Ameritrade Stadium. The Omaha Stormchasers play in Werner Park, a new stadium in Sarpy County.

Arts and Culture – The Omaha metropolitan area is an active and diverse arts and entertainment base for the region, including Bemis Center for Contemporary Arts; symphony, operate, theaters and performing arts venues; Omaha Theater Company for Young People; Omaha Community Playhouse; and several museums, including Joslyn Art Museum.

Growth

Downtown Development

Development in the downtown area includes the Missouri Riverfront, North Downtown Omaha (NODO), and the Old Market. The downtown revitalization that began in the late 1980s, with the development of the ConAgra Foods headquarters campus and the Heartland of America Park, is the catalyst for the robust growth that continues today. Omaha’s unprecedented investment and growth now totals nearly \$3 billion in projects completed or under construction. This includes arts, entertainment and sport complexes, new office and education buildings, residential units and public green space.

The CenturyLink Center (formerly Qwest Center) is the area's largest convention center and arena. TD Ameritrade Park Omaha is a new \$131-million, 24,000-seat stadium, which opened in 2011 is the new home of the NCAA’s Men’s College World Series.

With the renovations to Cuming Street and Abbott Drive, access to the new Convention Center and Eppley Airfield has been improved and there is new development along Abbott Drive.

South/Central/West Omaha

Redevelopment of the former Omaha stockyards provided revitalization to South Omaha, as well as commercial activity along South 24th Street. South 24th Street has experienced a \$4.3 million makeover, which includes a public plaza replacing a parking lot at South 24th and “N” Streets, changes to streets, curbs, landscaping, and four way stops at major intersections. Metropolitan Community College constructed a 45,000 square foot South Omaha Library and building to its south Omaha campus north of 30th and “Q” Streets. This is the first major addition to this campus since 1978.

OMAHA METROPOLITAN AREA (CONTINUED)

The former Ak-Sar-Ben property has been redeveloped as Askarben Village, as well as office buildings for First Data Resources, the Scott Technology Center at Ak-Sar-Ben, and dorms for the University of Nebraska at Omaha.

Midtown Crossing at Turner Park has been developed by Mutual of Omaha and includes shops, restaurants, and apartments at 33rd and Dodge Streets.

Sarpy County

Development in Sarpy County includes Market Pointe shopping center at 72nd Street and Giles Road; Shadow Lake Towne Center, a 900,000 square foot open-air shopping center at Highway 370 and South 72nd Street; Southport East and West near South 126th Street and Giles Road; and new office buildings for Northrop Grumman Corp. and Lockheed Martin Corporation.

Council Bluffs

The Mid-America Center entertainment and convention center opened in 2002 and includes a 24,000 square foot exhibition hall and a 30,000 square foot arena with a capacity of 8,200. Bass Pro Shops built an Outdoor World store south of the Mid-America Center. Mid-American Energy has built a \$1 billion coal-fired plant in Council Bluffs with approximately 80 permanent jobs. New retail development has occurred at Metro Crossing (Interstate 29 and South Omaha Bridge Road) and Marketplace (Interstate 80 and South 24th Street).

Overview

Omaha ranks high compared to other areas of the country regarding business climate and quality of life issues. Endowed with a diverse business base, Omaha can boast of economic stability at a time when other areas of the country have seen drastic economic swings.

There is a strong tradition of community leadership and working together in Omaha. Omaha has emerged through the years from a frontier town on the prairie, to a thriving metropolitan city. The atmosphere is cosmopolitan with a professional symphony, opera, ballet, a variety of quality restaurants, museums, one of the country's most progressive zoos, a regional medical and research center, and eleven colleges and universities. All the advantages of a large city, yet much of the small town flavor remains. Omahans enjoy their ethnic heritage at a variety of festivals, and everyone celebrates western style during the River City Round-up, ranked one of the 100 top attractions in the country. Plus, Omahans are friendly, hardworking and wholesome in true "midwestern" tradition. Those who live in Omaha agree, it is truly a city "above all others".

NEIGHBORHOOD DESCRIPTION

The subject neighborhood is generally defined as bounded by North 60th Street on the east, Interstate 680 on the north, Maple Street on the south, and North 108th Street on the west.

Access to the neighborhood is primarily from North 72nd Street (north/south arterial), and Military Avenue (northwest/southeast arterial). Interstate 680 is located slightly more than three miles north of the subject area. This interstate provides easy access to all areas of the city. Also the interstate can be accessed via Military Avenue to the northwest. In conjunction with the interstate system is Sorensen Parkway, which is completed to North 90th Street near Military Avenue.

North 72nd Street is the heaviest traveled north/south thoroughfare through Omaha. Military Avenue and to a lesser degree Ames Avenue east of North 65th Street, carry the bulk of east/west traffic in the area. Notably, the neighborhood is in the northwest quadrant and Sorensen Plaza shopping center and Benson Park Plaza shopping center provides the greatest commercial draw for this portion of the city. Other notable improvements include the downtown Benson area to the southeast, Immanuel Medical Center located to the north, and Marian High School to the west.

Property uses within the neighborhood include a mixture of retail, commercial, limited office, multi-family and single-family residential uses. The commercial, retail and office uses tend to be along the more heavily traveled roadways, with the residential uses on the interior streets.

The latest traffic count and volume of traffic on four intersections in the area is as follows (Figures according to the counts on file with the Metropolitan Area Planning Agency).

Location	EADT	N	S	E	W	Date Counted
72 nd & Crown Point	28,562	19,430	20,258	8,554	8,882	9/12
72 nd & Ames Avenue	37,620	20,526	33,912	18,032	2,770	11/11
72 nd & Military Avenue	53,802	33,960	28,256	19,118	26,270	5/11

After analyzing the neighborhood and with knowledge of the overall development of the metropolitan area, it is my opinion that trends affecting the subject neighborhood will improve into the foreseeable future. The development of the Sorensen Park Plaza shopping center and Benson Park Plaza Shopping Center have increased commercial traffic in the immediate area. Also enhancing the outlook of the neighborhood is the completion of the Sorensen Parkway, affording good access from the area to downtown Omaha.

The neighborhood is zoned primarily for residential land uses with commercial uses found along the major arterials. The defined neighborhood is approximately 90% developed south of Military Avenue and 40% developed north of this thoroughfare. Previously, the lack of essential commercial services along with somewhat inadequate arterial development, has stagnated growth over the years in the area.

Please refer to the Addendum section of this report for area photographs, neighborhood map, plat map and other descriptive information concerning the subject neighborhood.

DESCRIPTION AND ANALYSIS OF THE LAND

The subject site is located to the southwest of North 72nd Street and Military Avenue in north central Omaha. Characteristics of the site are detailed below:

1. Physical Features

- a. Size/Dimensions - The subject property consists of 12 parcels delineated as follows:

Parcel	Parcel ID #	Land Size (SF)	Improvement Building	Improvement Size (SF)
1	2769-0002-06	168,528	Villa	180,067
2	2768-0000-06	19,250	Vacant	0
3	2770-0000-06	182,842	Skyline Manor	136,274
4	2765-0000-06	39,198	Vacant	0
5	2763-0000-06	21,760	Vacant	0
6	2759-0000-06	17,500	Vacant	0
7	2758-0000-06	17,980	Vacant	0
8	2757-0000-06	38,528	Vacant	0
9	2760-0000-06	81,152	2 Sheds	2,376
10	2756-0000-06	15,680	Vacant	0
		602,418	*	318,717

* Does not include 5,880 square foot garage building

- b. Configuration - The site is irregular in shape.
- c. Topography/Drainage - The site has a gradual slope from northwest to southeast allowing for good drainage away from the building improvements.
- d. Floodplain - According to the National Flood Insurance Program, the site is not located in a flood hazard area.
- e. Access - Access to the subject site will be gained from North 72nd Street on the east and Military Avenue on the north.
- f. Ground Stability - The appraiser has not been furnished soil tests of the subject property site. However, due to surrounding land uses, it appears subsoils are adequate to support the present building improvements. The appraiser assumes no responsibility for the load bearing capacity of the soil for future building improvements.

DESCRIPTION AND ANALYSIS OF THE LAND (CONTINUED)

2. Legal

- a. Zoning - The subject site is presumed to have designated zoning of R-8 PUD, High Density Multiple Family Residential District with Planned Unit Development District Overlay. According to City of Omaha zoning regulations, these zoning districts permits the existing seniors housing project.
- b. Easements, Encumbrances, Moratoriums, Entitlements - The subject property features standard easements associated with utility use.
- c. Encroachments - There were no encroachments apparent on the site at the time of the inspection.

3. Utilities

- a. Water/Natural Gas - Water/natural gas services are provided by Metropolitan Utilities District (MUD) and appear to be adequate to serve the needs of the site.
 - b. Electric - Electricity is provided by Omaha Public Power District (OPPD) and appears to be at an adequate capacity to serve the needs of the site.
 - c. Sewer - Sewer service in the area is provided by the City of Omaha.
 - d. Rubbish Removal - A private contract firm is used for removal of rubbish and garbage.
 - e. Other - Telephone service is provided by the Qwest Communications and Cox Communications.
4. Environmental - The appraiser is not considered an environmental expert, and is not to assess environmental issues. Upon physical inspection of the subject property site, no environmental hazards were apparent.

Please refer to the Addendum of this report for plat map, plot plans, photographs, and other descriptive information concerning the subject site.

DESCRIPTIONS OF THE IMPROVEMENTS

The subject property is a seniors housing project known as Skyline Manor. The facility consists of two masonry constructed facilities consisting of 115 independent living units / 35 independent living apartments / 68 assisted living units / 30 memory care units and 100 skilled cared beds for a total of 348 units.

Description	SF Area
Health Center/Assisted Living - 5 connected buildings	180,067
Independent Living Manor	136,274
21 Unit Garage	5,880
Shed #1	1,152
Shed #2	1,224
Total	324,597

The entry to the facility is on the north for the two main buildings.

There are currently 98 units of the 115 independent living units that are occupied (85% occupancy). There are currently 27 units occupied of the 35 independent living apartments (77%). Of the 100 nursing home beds, there are currently 84 occupied (84% occupancy). Of the 68 assisted living units, 64 are occupied (94%). The 30 memory care units are in the lease up stage. The current average occupancy is:

	Units	Occupancy	
		Units	%
Skyline Manor Independent Living	115	98	85%
Skyline Manor Apartments	35	27	77%
Assisted Living	68	64	94%
Skilled Nursing	100	84	84%
Memory Care "Lease Up Stage"	30	0	0%
Totals	348	273	78%

The assisted living units are typically 625 square feet. The nursing home units are typically 360 square feet.

DESCRIPTIONS OF THE IMPROVEMENTS (CONTINUED)

Various construction components and physical characteristics of the proposed improvements are itemized below:

Age:		Improvement	
	<u>Age</u>	<u>Size (SF)</u>	<u>Building</u>
	Parcel 1	1976	180,067
	Parcel 3	1969	136,274
			5,880
	Parcel 10	1980	<u>2,376</u>
			324,597
			Total
Size:	602,418 square feet or 13.83 acres (not including land area of two single-family residences)		
Perimeter:	The perimeter of Skyline Manor is 1,381 lineal feet and the perimeter of Skyline Villa is 2,761 lineal feet.		
Type of Construction:	Masonry construction with brick veneer.		
Type of Occupancy:	115 independent living units / 35 independent living apartments / 68 assisted living units / 30 memory care units and 100 skilled cared beds for a total of 348 units. The units inspected on July 8, 2013, were Units 216, 418, 607, and 635.		
Parking:	The parking consists of 150,000 square feet of concrete paved parking area for residents, employees and visitors (206 total parking spaces).		
Foundation:	Poured reinforced concrete slab on grade, with on grade footings and foundation.		
Structure and Frame:	Masonry side walls with brick veneer.		
Flooring:	4" reinforced concrete slab on grade and elevated concrete slabs on upper levels.		
Roof:	Flat style roof with modified Bittamon sheathing.		
Interior Walls:	Interior walls are painted drywall.		
Glazing:	Insulated glass sliding windows.		

DESCRIPTIONS OF THE IMPROVEMENTS (CONTINUED)

Ceilings:	Ceilings are suspended acoustical tile or textured drywall.
Lighting:	Lighting is incandescent and fluorescent/exposed and recessed.
Sprinklers:	Both buildings are sprinklered with an overhead wet sprinkler system. The Skyline Manor sprinkler system is on the basement and first floor only.
Elevator:	Skyline Manor has 7-stop passenger elevator with 2,500 pound capacity and a 5,000 pound freight elevator.
HVAC:	Heating in both buildings is supplied by a closed loop, hot water boiler system. Cooling in both buildings is provided by outdoor mounted, electrical controlled, air cooled condensing units utilizing air cooled condensing units.
Insulation:	All walls, floors and ceilings are insulated with continuous batt, blanket or rigid insulation.
Amenities:	Amenities included in both facilities are three meals daily, scheduled transportation, assistance with ADL (Activities of Daily Living), housekeeping, laundry, security, whirlpool bath, activities room, chapel, library and exercise room.
Condition of the Improvements:	The improvements are in very good condition as of the date of inspection. Improvements are functionally designed for the use as housing for seniors. Rental rates for the subject property include nursing supervision, (medication monitoring is additional), three full meals daily, all utilities except telephone, housekeeping services, laundry, scheduled transportation, whirlpool, library, salon, chapel, exercise room and a central kitchen with dining area.

DESCRIPTIONS OF THE IMPROVEMENTS (CONTINUED)

Shed 1

Age:	1980
Gross Square Foot Building Area:	32' x 36' = 1,152 square feet
Footings and Foundations:	Reinforced concrete footings with steel rebar and poured concrete foundation walls.
Structure and Frame:	Pre-engineered metal structure with a steel girder support system. The clear span minimum height of 14'.
Floors.	Concrete floors with wire mesh over granular fill with appropriate expansion joints.
Exterior Walls.	Pre-engineered metal walls with an enamel baked-on finish
Roof.	Gable metal roof with a steel deck.
Ceiling Height.	Ceiling height is 14'
Doors and Windows.	Two 12' x 12' overhead garage doors
Insulation.	All walls, floors, and ceilings are fully insulated with batt, blanket and rigid insulation.
Heating and Air Conditioning.	Suspended gas-fired unit heater
Electrical.	Standard commercial grade
Lighting.	Lighting is strip fluorescent.
Sprinklers.	The building is not sprinklered.
Restrooms.	None
Building and Site Plan.	The building is located on the south portion of the site (see site plan).
Condition of the Improvements.	Average to good

DESCRIPTIONS OF THE IMPROVEMENTS (CONTINUED)

Shed 2

Age:	1980
Gross Square Foot Building Area:	34' x 36' = 1,224 square feet
Footings and Foundations:	Reinforced concrete footings with steel rebar and poured concrete foundation walls.
Structure and Frame:	Pre-engineered metal structure with a steel girder support system. The clear span minimum height of 12'.
Floors.	Concrete floors with wire mesh over granular fill with appropriate expansion joints.
Exterior Walls.	Pre-engineered metal walls with an enamel baked-on finish
Roof.	Gable metal roof with a steel deck.
Ceiling Height.	Ceiling height is 12'
Doors and Windows.	Two overhead garage doors (10' x 14') and (10' x 10')
Insulation.	All walls, floors, and ceilings are fully insulated with batt, blanket and rigid insulation.
Heating and Air Conditioning.	None
Electrical.	Standard commercial grade
Lighting.	Lighting is strip fluorescent.
Sprinklers.	The building is not sprinklered.
Restrooms.	None
Building and Site Plan.	The building is located on the south portion of the site (see site plan).
Condition of the Improvements.	Average to good

DESCRIPTIONS OF THE IMPROVEMENTS (CONTINUED)

21 Stall Garage Building

Age:	1980
Gross Square Foot Building Area:	$(210' \times 21') + (21' \times 70') = 5,880$ square feet
Footings and Foundations:	Reinforced concrete footings with steel rebar and poured concrete foundation walls.
Structure and Frame:	Pre-engineered metal structure with a steel girder support system. The front facade is brick veneer. The clear span minimum height of 9'.
Floors.	Concrete floors with wire mesh over granular fill with appropriate expansion joints.
Exterior Walls.	Pre-engineered metal walls with an enamel baked-on finish (east wall) and other 3 walls are brick veneer.
Roof.	Gable metal roof with a steel deck.
Ceiling Height.	Ceiling height is 9'
Doors and Windows.	21 (8' x 8') garage doors
Insulation.	None
Heating and Air Conditioning.	None
Electrical.	Standard commercial grade
Lighting.	Lighting is strip fluorescent.
Sprinklers.	The building is not sprinklered.
Restrooms.	None
Building and Site Plan.	The building is located on the east-central portion of the site (see site plan).
Condition of the Improvements.	Average to good
Other Site Improvements:	There is a 777 square foot storage building located in the base of the "L" between Garages 17 and 18.

Please refer to the Addendum section of this report for interior/exterior digital photographs of the improvements.

HIGHEST AND BEST USE ANALYSIS

Definition

The definition of Highest and Best Use is as follows:

In order for a particular use of a piece of real property to be the highest and best use, several requirements must be met:

1. The proposed use must be legally permissible and reasonably possible.
2. The proposed use must be physically possible on the site.
3. The proposed use must be economically and financially feasible under the projected market conditions then existing.
4. The proposed use must be the most profitable among the alternatives that are legally permissible, physically possible, and economically feasible.

The highest and best use analysis involves two separate studies:

1. The site as if vacant and ready to be put to its highest and best use;
2. A study of the highest and best use of the property as improved.

Highest and Best Use as Though Vacant

Generally, land must be utilized to conform with the standards governing the area in which it is located. A primary reason for zoning regulations is to protect an area from infiltration of, or conversion to, inharmonious uses.

The subject property site is zoned R-8 PUD, High Density Multi-Family Residential District with Planned Unit Development District overlay. This is a high density which allows for multi-family apartments, assisted living facilities, nursing homes and independent living projects.

A further restriction on the site is its size and configuration. The subject site contains an area of 602,418 square feet or 13.83 acres. This size is large enough to accommodate a wide variety of uses.

HIGHEST AND BEST USE ANALYSIS (CONTINUED)

Highest and Best Use as Improved

The concept of Highest and Best Use of the subject property requires an objective investigation as to its:

- a. Possible use, or those uses which are physically possible for the site;
- b. Its permissible use or those uses which are permitted by zoning regulations on the site;
- c. Its feasible use or those possible and permissible uses which will produce the highest net return to the owner of the site; and, finally,
- d. Its Highest and Best Use or that use which will produce the highest net return or the highest present worth to the site.

The subject property is improved with 115 independent living units, 35 independent living apartments, 68 assisted living units, 30 memory care units, and 100 skilled nursing beds for a total of 348 units.

Description	SF Area
Health Center/Assisted Living - 5 connected buildings	180,067
Independent Living Manor	136,274
21 Unit Garage	5,880
Shed #1	1,152
Shed #2	1,224
Total	324,597

As mentioned, the subject site is currently improved with a 150 unit independent living complex known as Skyline Manor and a 180,067 square foot, three-story, five-building health center. The health center consists of 100 nursing home beds, 68 assisted living beds, and 30 memory care units. This combination of nursing home beds and assisted living beds is located in the north half of the five building complex. The valuation premise in this report is to value the property "as is", which would consider the five building complex, and to value the property "as if stabilized". Total area of Skyline Manor, Skyline Villa, and related site improvements including a 21 unit garage and 2 sheds is 324,597 square feet.

Because of the well maintained nature of the subject facility, the effective age in the Cost Approach is less than the chronological age. I conclude that the highest and best use of the site, as currently improved, is the current usage of housing for the elderly.

The senior housing utilization of the site conforms with the zoning and is considered to be an optimum use of the site. The only adverse influences affecting the subject property is the current state of the economy. In other words, the higher than normal vacancy of the Villa is attributable to the downturn of the economy and the fragile economic state of the elderly.

HIGHEST AND BEST USE ANALYSIS (CONTINUED)

Conclusion

Considering the existing neighborhood and location of the improvements, along with the size of the site, access, visibility, topography, zoning, and surrounding land uses; and further, given the site's current senior housing use, the current use is considered to be the highest and best use.

APPRAISAL PROCESS

There are three basic approaches utilized by appraisers in arriving at an estimated fair market value. Each approach draws data from different segments of the market. The three traditional approaches are:

1. Cost Approach
2. Sales Comparison Approach
3. Income Capitalization Approach

Cost Approach

The underlying assumption of the Cost Approach is the theory that the informed buyer is not willing to pay more for an existing property than the cost of constructing another of similar utility, provided that time is not an over-riding factor. There are four steps in this approach. They are as follows:

1. An estimate of land value.
2. Estimated cost new of all improvements.
3. An estimate of depreciation, from all causes, subtracted from the cost new.
4. The estimated depreciated value of the improvements is added to the estimated land value, to arrive at an estimate of value by the Cost Approach.

Sales Comparison Approach

The underlying assumption of the Sales Comparison Approach is the theory that an informed buyer would pay no more for a property than it would cost to acquire another existing property with the same utility.

In this approach, appraisers compare similar properties which have recently sold to the subject property. Adjustments are made for the differences between the subject and the comparable sales.

The differences are then either added to, or subtracted from, the sale price of the comparable properties to arrive at an adjusted value for the subject property from each sale. In this approach the appraiser always adjusts the comparable sale to the subject.

APPRAISAL PROCESS (CONTINUED)

Income Capitalization Approach

The Income Capitalization Approach is the process by which anticipated income from the subject property is converted into an estimate of value. The steps taken are as follows:

1. Estimate gross market rent for the subject property.
2. Deduct an allowance for vacancy and collection losses, together with all expenses applicable to the property.
3. Capitalize the resulting net effective income, by an appropriate capitalization rate, into an estimate of value.

COST APPROACH (CONTINUED)

Land Value Estimate

The estimate of value of the subject land is best indicated by the direct comparison with sales of comparable sites. The best comparison is made with similar sites having the same general characteristics, in comparable locations.

In order to estimate the value of the subject site, a number of sales of comparable residential land in the Omaha metropolitan area were researched and considered. In investigating this data a search was made of the public records and interviews were conducted with buyers, sellers, and real estate brokers, and others.

After studying the compiled data, the appraiser selected nine sales which were considered to provide the best indicated value of the subject site. These sales were analyzed and compared to the subject site for various valuation factors, and served as a basis in estimating land value. Valuation factors considered the most applicable in the comparison process were:

1. Time of Sale
2. Size and shape
3. Topography
4. Frontage and depth
5. Accessibility
6. Utility of the site
7. Corner influence
8. Zoning
9. Location, etc.

The subject property is located in the northwest quadrant of Omaha in a developing area of the city. There have been few multi-family or institutional land sales over the past few years in the immediate area of the subject.

There have been very few multi-family developments constructed in West Omaha over the past three year time frame. Consequently, the search was extended to include older multi-family zoning sales, which are considered the best available.

The 9 market transactions listed on the following pages were considered the most persuasive in estimating the value of the subject property site.

COST APPROACH (CONTINUED)

Land Value Estimate (Continued)

Land Sale 1

Location: 2204 Albert Street, Bellevue, Nebraska

Legal Description: Lot 2, Kennedy Town Center Replat Four, a subdivision in Sarpy County, Nebraska

Document: Warranty Deed; Book 2011, Page 27241

Date of Sale: November 1, 2011

Grantor: Kennedy Town Center, L.L.C.

Grantee: Walnut Creek, CDI, Limited Partnership

Sale Price: \$521,870

Financing: Cash to seller

Confirmed By: Michael Kucera, Manager, Kennedy Town Center L.L.C.

Land Area: 248,510 square feet or 5.705 acres

Price/SF: \$2.10

Streets and Utilities: Paved streets and all public utilities are available

Zoning: RG-20, PUD, General Residential District with Planned Unit Development District Overlay

Highest and Best Use: Multi-Family Residential Use

Comments: The land has rolling topography and is irregular in shape. The purchaser bought the land for multi-family residential development purposes.

COST APPROACH (CONTINUED)

Land Value Estimate (Continued)

Land Sale 2

Location: Southwest corner of South 96th and Harrison Streets, LaVista, Nebraska

Legal Description: Lots 1 and 2, Cimarron Woods Replat Two, a subdivision as surveyed, platted and recorded in Sarpy County, Nebraska

Document: Warranty Deed; Book 2010, Pages 29455 and 29457

Date of Sale: September 10, 2010

Grantor: Torco Development, Inc. (both deeds)

Grantee: Pedcor Investments-2008-CXVIII, L.P. (both deeds)

Sale Price: \$868,168 + \$1,109,085 = \$1,977,253

Financing: Cash to Seller

Confirmed By: Gerald Torczon, President, Torco Development, Inc.

Land Area: 430,678 square feet + 699,138 square feet = 1,129,816 square feet or 25.937 acres

Price/SF: \$2.02 and \$1.59; average \$1.75

Streets and Utilities: Paved streets and utilities available

Zoning: R-3, High Density Residential District

Highest and Best Use: Multi-family subdivision development use

Comments: These irregular shaped parcels were purchased by the grantee and assembled. They are located at the southwest corner of South 96th and Harrison Streets and surround Cimarron Woods subdivision at this location. The land has rolling topography and is very irregular in shape. The purchaser bought the land for multi-family residential development purposes.

COST APPROACH (CONTINUED)

Land Value Estimate (Continued)

Land Sale 3

Location: 7454 Gertrude Street, LaVista, Nebraska

Legal Description: Lot 5, Harrison Heights, a subdivision in Sarpy County, Nebraska

Document: Warranty Deed; Book 2010, Page 18228

Date of Sale: July 15, 2010

Grantor: Empire Group, L.L.C.

Grantee: The Orchards at Wildewood, L.P.

Sale Price: \$583,704

Financing: Cash to seller

Confirmed By: Randall Wieseler, President, Empire Group, L.L.C.

Land Area: 183,736 square feet or 4.22 acres

Price/SF: \$3.18

Streets and Utilities: Paved streets and all public utilities are available

Zoning: R-3, High Density Residential District

Highest and Best Use: Multi-Family Residential Use

Comments: This site has been improved with a 48 unit apartment complex known as The Orchards at Wildewood. There will be 24 one-bedroom units containing 650 square feet and 24 two-bedroom units containing 886 square feet.

COST APPROACH (CONTINUED)

Land Value Estimate (Continued)

Land Sale 4

Location: 12221 North 149th Circle, Bennington, Nebraska

Legal Description: Lot 1, Ridgewood Replat 1, a subdivision in Douglas County, Nebraska

Document: Warranty Deed; Book 2007, Page 138946

Date of Sale: November 28, 2007

Grantor: Dial Ridgewood, L.L.C.

Grantee: Dial-Ridgewood Senior Living

Sale Price: \$1,800,000

Financing: Cash to seller

Confirmed By: Patrick G. Day, Manager, Dial Ridgewood, L.L.C.

Land Area: 392,476 square feet or 9.010 acres

Price/SF: \$4.59

Streets and Utilities: Paved streets and all public utilities are available

Zoning: MU, Mixed Use District

Highest and Best Use: Multi-Family Residential Use

Comments: This site has been improved with the Ridgewood Senior Assisted Living Center. This is a three-story Dial development constructed in 2008 and contains 115,075 square feet.

COST APPROACH (CONTINUED)

Land Value Estimate (Continued)

Land Sale 5

Location: Northeast corner of Center Street and South 64th Avenue, Omaha, Nebraska

Legal Description: Lot 16, Aksarben Village, now replatted into Lots 1 and 2, Aksarben Village Replat 3, a subdivision as surveyed, platted and recorded in Douglas County, Nebraska

Document: Warranty Deed; Book 2007, Page 100393

Date of Sale: August 29, 2007

Grantor: Ak-Sar-Ben Future Trust

Grantee: Aksarben Apartments, L.L.C.

Sale Price: \$1,859,000

Financing: Cash to seller

Confirmed By: Terry L. Moore, Secretary, Ak-Sar-Ben Future Trust

Land Area: 539,585 square feet or 12.387 acres

Price/SF: \$3.45

Streets and Utilities: Paved streets and all public utilities are available

Zoning: MU, Mixed Use District

Highest and Best Use: Multi-Family Residential Use

Comments: This site has been improved with a three-story elevated apartment complex constructed in 2008. The improvements contain 136,743 square feet.

COST APPROACH (CONTINUED)

Land Value Estimate (Continued)

Land Sale 6

Location: 4316 North 132nd Street, Omaha, Nebraska

Legal Description: Lot 1, Omaha Retirement Residence, an Administrative Subdivision, City of Omaha, Douglas County, Nebraska

Document: Partnership Warranty Deed; Book 2006, Page 092990

Date of Sale: July 26, 2006

Grantor: Colson & Colson Construction Co.

Grantee: Omaha Retirement Residence, L.L.C.

Sale Price: \$910,000

Financing: Cash to seller

Confirmed By: William E. Colson, Managing General Partner

Land Area: 280,526 square feet or 6.440 acres

Price/SF: \$3.24

Streets and Utilities: Paved streets and all public utilities are available

Zoning: R-7, Medium-Density Multiple-Family Residential District

Highest and Best Use: Multi-Family Residential Use

Comments: This land is located on the west side of North 132nd Street, south of Ames Avenue. Hillsborough residential subdivision surrounds the land on the south and west. The property was improved with an assisted living center in 2007.

COST APPROACH (CONTINUED)

Land Value Estimate (Continued)

Land Sale 7

Location: 7505 - 7839 Heritage Circle, Ralston, Nebraska

Legal Description: Lot 1, The Colonies at Cedar Crest Replat 1, as surveyed, platted and recorded in Douglas County, Nebraska

Document: Special Warranty Deed; Book 2006, Page 047097

Date of Sale: April 17, 2006

Grantor: American Pension Services, Inc.

Grantee: The Elva Group, L.L.C.

Sale Price: \$207,000

Financing: Cash to seller

Confirmed By: Curtis Deyoung, President, American Pension Services

Land Area: 80,934 square feet or 1.858 acres

Price/SF: \$2.56

Streets and Utilities: Paved streets and all public utilities are available

Zoning: DR, Development Reserve

Highest and Best Use: Multi-Family Residential Use

Comments: This site is located just north of Harrison Street in Ralston and has been improved with Heritage Condominium project.

COST APPROACH (CONTINUED)

Land Value Estimate (Continued)

Land Sale 8

Location: 6898 South 180th Street, Omaha, Nebraska

Legal Description: Lot 1 and Lot 2, Falcon Ridge, a subdivision as surveyed, platted and recorded in Douglas County, Nebraska

Document: Corporation Warranty Deed; Book 2006, Page 027570

Date of Sale: February 23, 2006

Grantor: Falcon Ridge Land Corp.

Grantee: Triton Homes, L.C.

Sale Price: \$1,860,000

Financing: Cash to seller

Confirmed By: John C. Allen, President of Falcon Ridge Land Corp. and Douglas County Records

Land Area: 652,529 square feet or 14.980 acres

Price/SF: \$2.85

Streets and Utilities: Paved streets and all public utilities are available

Zoning: MU, Mixed Use District, and R-6, Low Density Multiple-Family Residential District

Highest and Best Use: Multi-Family Residential Use

Comments: This large parcel of land is located at the northwest corner of Harrison Street and South 180th Street in southwest Omaha. It has frontage on both Harrison Street, South 180th Street, Drexel Street adjoining on the north, and South 183rd Street. The land is irregular in shape and the purchaser is planning to build townhome condominium units on the site.

COST APPROACH (CONTINUED)

Land Value Estimate (Continued)

Land Sale 9

Location: 6101 North 168th Street, Omaha, Nebraska

Legal Description: Part of the Northwest ¼ of the Southwest ¼ of Section 34, Township 16 North, Range 11 East of the 6th P.M., Douglas County, Nebraska (metes and bounds description)

Document: Warranty Deed; Book 2006, Page 017312

Date of Sale: February 14, 2006

Grantor: Jeffrey J. Johannesmeyer, Trustee of the Jeffrey J. Johannesmeyer Revocable Trust, and Kay E. Johannesmeyer, a single person

Grantee: Triton Homes, L.C.

Sale Price: \$875,000

Financing: Cash to seller

Confirmed By: Jeffrey J. Johannesmeyer, Trustee

Land Area: 435,462 square feet or 10 acres

Price/SF: \$2.01

Streets and Utilities: Paved streets and all public utilities are available

Zoning: AG, Agricultural, changed to R-6, Low Density Multiple-Family Residential District

Highest and Best Use: Multi-Family Residential Use

Comments: This parcel of land is located at the southeast corner of North 168th Street and Kansas Avenue in northwest Omaha. Stone Creek subdivision adjoins the site on the south. The land is slightly rolling and site preparation and grading is presently underway on the land. An older residence and outbuildings located on the site were razed and removed. The purchaser is planning approximately 140 townhome condominium units on the site.

COST APPROACH (CONTINUED)

Summary of Comparable Land Sales						
Sale	Location	Date of Sale	Size (SF)	Sale Price		Zoning
				Total	Per SF	
1	2204 Albert Street	11/11	248,510	\$ 521,870	\$2.10	RG-20
2	SWC South 96 th and Harrison Streets	9/10	1,129,816	1,977,253	\$1.75	R-3
3	7454 Gertrude Street	7/10	183,736	583,704	\$3.18	R-3
4	12221 North 149 th Circle	11/07	392,476	1,800,000	\$4.59	MU
5	NEC Center Street & S. 64 th Avenue	8/07	539,585	1,859,000	\$3.45	MU
6	4316 North 132 nd Street	4/06	280,526	910,000	\$3.24	R-7
7	7505 - 7839 Heritage Circle	4/06	80,934	207,000	\$2.56	MU
8	6898 South 180 th Street	2/06	652,529	1,860,000	\$2.85	MU/R-6
9	6101 North 168 th Street	2/06	435,462	875,000	\$2.01	R-6
Totals			3,943,574	\$10,593,827		
The following statistical observations can be made from the above sales:						
				Per Square Foot		
Arithmetic Mean				\$2.86		
Weighted Mean				\$2.69		
Midpoint				\$2.85		
Range Low				\$1.75		
Range High				\$4.59		

There has been little multi-family sales activity in the Omaha Metropolitan Area. Sale 1 was the only sale in 2011. Sales 2 and 3 were the only sales that occurred in 2010. There were no sales found in 2008, 2009, or 2012. Consequently, the array of 8 sales is considered the best data available.

The 9 sales ranged in size from a low of 80,934 square feet for Sale 7 to a high of 1,129,816 square feet for Sale 2. The arithmetic mean, weighted mean, and midpoint of the 9 sales was \$2.86, \$2.69, and \$2.85 per square foot, respectively.

After analysis and study of the 8 sales, I selected three sales I considered to be most comparable to compare to the subject property and have adjusted these in detail. The sales selected were Sales 3, 5, and 6.

Pertinent data, together with appropriate adjustments, will be included in the following discussion. Upward adjustments mean the comparable is inferior to the subject while downward adjustments reflect the opposite. In analyzing the sales data, the sales price per acre of site area has been selected as the most persuasive unit of comparison.

COST APPROACH (CONTINUED)

Analysis of Comparable Land Sales

Potential adjustments include:

Real Property Rights Conveyed - This adjustment category is generally used to reflect different property rights. No adjustment is being made to the sales. All sales included the transfer of the fee simple estate.

Financing Terms - This adjustment category is generally used to reflect a property which transfers with atypical financing such as having assumed an existing mortgage at a favorable interest rate. Conversely, a property may be encumbered with a mortgage at above market terms which has no prepayment clause or a very costly prepayment clause. No adjustment is necessary since all sales were for cash.

Conditions of Sale - This adjustment category is generally used to reflect extraordinary motivations of the buyer and the seller. Examples include purchasing for assemblage where there may be anticipated incremental value, quick sale for cash - could be distress related, corporation recording at non-market price and many other circumstances.

Market Conditions - This adjustment category is generally used to reflect market differences occurring between the sales date of a comparable and the effective date of the appraisal where values have been affected. Information gathered in the local market, indicates that the market for multi-family has been tight. There has been no evidence of any price appreciation of multi-family land sales over the past 5 year period. Consequently, none of the sales required date of sale adjustment.

The appraiser selected the three most comparables sales to adjust to the subject property. They are Sales 3, 5, and 6.

Location - This adjustment category generally embraces both general neighborhood influences, as well as a project's accessibility and visibility from a main thoroughfare. Adjustment can be considered based upon current rent levels being achieved in each property in relative comparison to the subject as well as any property's perceived potential extraordinary increase or decrease in value. All three sales have a much inferior location than the subject and each requires substantial upward adjustment.

Zoning - The subject has zoning which is considered to be comparable zoning to what has been allowed in each of the sales, based on density of units constructed. No zoning adjustment is required on any of the three sales.

Access/Visibility/Topography - This adjustment category makes a comparison of the access, visibility and topography of the sales to that of the subject. This adjustment is considered to be that beyond those considerations already made for location. The sites are considered relatively equal with regards to a blended consideration for access, visibility and topography.

COST APPROACH (CONTINUED)

Physical Characteristics - This adjustment category generally reflects differences between the comparables and the subject as to site size, site configuration and availability of utilities. This is based on the principle that the larger a site, the lower the price per square foot, and conversely, the smaller the site the higher the price per square foot, assuming all other things are equal. The three sales are generally comparable to the subject and did not require adjustment.

Size - This adjustment has to do whether the subject property is larger or smaller in size than the subject. The subject parcel contains a large area of 602,418 square feet. The size is comparable to Sale 5. Sales 3 and 6 are smaller and required downward adjustment.

Use - All of the sales were for uses of multi-family development. The subject use is a senior housing complex, which is a more intensive usage requiring upward adjustment.

Please refer to the following Land Sales Adjustment Grid of Sales 3, 5, and 6 in comparison to the subject.

COST APPROACH (CONTINUED)

Land Sales Adjustment Grid Subject Has 602,418 Square Feet			
	Sale 3	Sale 5	Sale 6
Land Size (Square Feet)	183,736	539,585	280,526
Sale Price/Square Foot	\$3.18	\$3.45	\$3.24
Adjustment Factors:			
Property Rights Conveyed:	Fee Simple	Fee Simple	Fee Simple
Adjusted Price/Square Foot	\$3.18	\$3.45	\$3.24
Financing	Market	Market	Market
Conditions of Sale	Market	Market	Market
Adjusted Price/Square Foot	\$3.18	\$3.45	\$3.24
Date of Sale	7/10	8/07	4/06
Nominal	-0-	-0-	-0-
Adjusted Price/Square Foot	\$3.18	\$3.45	\$3.24
Physical Characteristics:			
Location	Inferior +50%	Inferior +35%	Inferior +50%
Access/Visibility/ Topography	Equal -0-	Equal -0-	Equal -0-
Physical Characteristics	Equal -0-	Equal -0-	Equal -0-
Size	Smaller -10%	Equal -0-	Smaller -10%
Use Senior Living	Inferior +25%	Inferior +25%	Inferior +25%
Total Physical Characteristics Adjustment	+65%	+60%	+65%
Indicated Adjusted Price Per SF for Subject	\$5.25	\$5.52	\$5.35

The adjusted arithmetic mean is \$5.37 and the midpoint is \$5.35 per square foot.

The appraiser is of the opinion that an appropriate land value estimate for the subject property is \$5.00 per square foot. Thus, the subject site of 602,418 square feet has a land value as follows:

602,418 square feet @ \$5.00/SF = \$3,012,090, called	<u><u>\$3,000,000</u></u>
Skyline Manor (includes Parcels 2, 3, 4, 5, 6, 7, 8, 9, and 10) – 433,890 square feet @ \$5.00/SF = \$2,169,450, called	\$2,160,000
Skyline Villa – 168,528 square feet @ \$5.00/SF = \$842,640, called	<u>840,000</u>
Total	<u><u>\$3,000,000</u></u>

COST APPROACH (CONTINUED)

Reproduction Cost

In order to complete an analysis of the Cost Approach, the appraiser takes several steps in the computation of a value indication. The appraisal method requires first the estimate of the reproduction cost new of all improvements found on the property.

In order to find the reproduction cost new, the appraiser consulted the Marshall Valuation Service, a nationally recognized cost reporting service. The manual provided by this service contains cost data on nearly every type of building, as well as a number of adjustment factors, which are useful in bringing the various examples in the manual as close to the subject building and current local cost conditions as possible.

The following is an estimated cost of the improvements for the subject property taken from the Marshall Valuation Service manual mentioned above.

Skyline Manor "As Is"

Marshall Valuation Service Manual: Section 11, Pages 13 - 38, Homes for the Elderly, Class B, Good

Size:	7,172 SF	Basement (Under C Wing Only)
	<u>129,102</u> SF	Upper Levels (1 - 6)
	136,274 SF	Total Square Feet

Age: 1969

Construction Class: B

Construction Type: Average

Perimeter: 1,831 Lineal Feet

Ceiling Height: 9 Feet per Floor

Number of Beds: 150 units

COST APPROACH (CONTINUED)

Skyline Manor "As Is"

Base Cost/Square Foot	\$174.25
Plus Sprinkler (Basement/First Floor Only) 21% of \$2.84/SF	0.60
Plus HVAC Adjustment, Extreme Climate	<u>3.50</u>

Total Base Cost \$178.35

Other Adjustments

Height	.973
Floor Area/Perimeter	.998
Current Cost Multiplier	1.010
Local Cost Multiplier	.970
Multi-Story	<u>1.015</u>
Final Square Foot Cost Multiplier	x .966

Adjusted Base Cost Per Square Foot for Skyline Manor \$172.29

Upper Levels – 129,102 square feet @ \$172.29/SF	\$22,242,984
Basement Level – 7,172 square feet @ \$81.58/SF	585,092
Garage Building – 5,880 square feet @ \$32.84/SF	193,099
Shed #1 – 1,152 square feet @ \$30.00/SF	34,560
Shed #2 – 1,224 square feet @ \$30.00/SF	36,720
150,000 square feet of asphalt paving at \$3.00/SF	<u>450,000</u>

Total Reproduction Cost New – Skyline Manor \$23,542,455

Less Physical Depreciation @ 33%	\$7,769,010
Less Functional Obsolescence	N/A
Less External Obsolescence @ 30%	<u>4,732,034</u>
Total Depreciation	<u>12,501,044</u>

Depreciated Value \$11,041,411
Called \$11,040,000

Plus Land Value 2,160,000

Total Skyline Manor "As Is" \$13,200,000

COST APPROACH (CONTINUED)

Skyline Manor "As Stabilized"

Physical depreciation is based on the age/life concept. Skyline Manor was constructed in 1969 and has been very well maintained. Recently, many of the apartments have been refurbished with carpet, new appliances, new doors, and new plumbing. In addition, the overall plant has been upgraded for electrical, plumbing, and elevator upgrades. The HVAC system has been constantly monitored. Considering the good maintenance received, as well as the recent Weitz Contracting Remodeling, I estimate the effective age at less than the chronological age at 20 years. Marshall Valuation Service suggests a total economic life for a building of this class and grade at 60 years. Therefore, using the age/life concept, physical depreciation is estimated at 33% (20/60). Skyline Manor currently has an occupancy of 83% ($125 \div 150$). Skyline Manor is trying to achieve a stabilized occupancy of 90%, which would be lease up of another 10 units. Reasons for the lower than expected occupancy are the overall economy, whereby older residents are opting to stay with relatives, live in their own dwellings, or some alternative living arrangement rather than independent living. For these reasons, I estimate the external obsolescence appropriate for the subject at 30%. Multiplying the 30% times the physically depreciated value of \$15,773,445 results in an external obsolescence of \$4,732,034. The subject property is functionally designed for an independent living facility. It has ancillary facilities, including nurses' stations, chapel, beauty salon, kitchen, main dining, private dining, computer room, and guest lounges. Consequently, there is no functional obsolescence applicable.

Skyline Manor "As Stabilized"

Marshall Valuation Service Manual: Section 11, Pages 13 - 38, Homes for the Elderly, Class B, Average

Size:	7,172 SF	Basement (Under C Wing Only)
	<u>129,102</u> SF	Upper Levels (1 - 6)
	136,274 SF	Total Square Feet
Age:	1969	
Construction Class:	B	
Construction Type:	Average to Good	
Perimeter:	1,831 Lineal Feet	
Ceiling Height:	9 Feet per Floor	
Number of Beds:	150 units	

COST APPROACH (CONTINUED)

Skyline Manor "As Stabilized"

Base Cost/Square Foot	\$174.25
Plus Sprinkler (Basement/First Floor Only) 21% of \$2.84/SF	0.60
Plus HVAC Adjustment, Extreme Climate	<u>3.50</u>

Total Base Cost \$178.35

Other Adjustments

Height	.973
Floor Area/Perimeter	.998
Current Cost Multiplier	1.010
Local Cost Multiplier	.970
Multi-Story	<u>1.015</u>
Final Square Foot Cost Multiplier	x .966

Adjusted Base Cost Per Square Foot for Skyline Manor \$172.29

Upper Levels – 129,102 square feet @ \$172.29/SF	\$22,242,984
Basement Level – 7,172 square feet @ \$81.58/SF	585,092
Garage Building – 5,880 square feet @ \$32.84/SF	193,099
Shed #1 – 1,152 square feet @ \$30.00/SF	34,560
Shed #2 – 1,224 square feet @ \$30.00/SF	36,720
150,000 square feet of asphalt paving at \$3.00/SF	<u>450,000</u>
Total Reproduction Cost New – Skyline Manor	\$23,542,455

Less Physical Depreciation @ 33%	\$7,769,010
Less Functional Obsolescence	N/A
Less External Obsolescence	<u>N/A</u>
Total Depreciation	<u>7,769,010</u>

Depreciated Value \$15,773,445
Called \$15,775,000

Plus Land Value 2,160,000

Total Skyline Manor "As Stabilized" \$17,935,000
Called \$17,900,000

COST APPROACH (CONTINUED)

Skyline Villa "As Is"

Marshall Valuation Service Manual: Section 12, Pages 21 - 40, Class C, Good

Size: 180,067 square feet (3 levels)
Age: 1976
Construction Class: C
Construction Type: Average/Good
Perimeter: 2,261 Lineal Feet
Ceiling Height: 9 Feet per Floor
Number of Beds: 100 nursing home units; 68 assisted living units; 30 memory care units

Base Cost/Square Foot	\$105.36
Plus Sprinkler	2.35
Plus HVAC Adjustment, Extreme Climate	<u>3.50</u>
Total Base Cost	\$111.21

Other Adjustments

Height	1.000	
Floor Area/Perimeter	1.030	
Current Cost Multiplier	.970	
Local Cost Multiplier	<u>.980</u>	
Final Square Foot Cost Multiplier		x .979

Adjusted Base Cost Per Square Foot for Skyline Villa	\$108.87
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180,067 square feet @ \$108.87/SF	\$19,603,894
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Less Physical Depreciation @ 50%	\$9,801,947	
Less Functional Obsolescence @ 50% depreciated value	4,900,974	
Less External Obsolescence	<u>N/A</u>	
Total Depreciation		<u>14,702,921</u>

Depreciated Value	Called	\$4,900,000
Plus Land Value		<u>840,000</u>

Total Skyline Villa "As Is"	\$5,740,000
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COST APPROACH (CONTINUED)

Skyline Villa "As Is"

Physical depreciation is based on the age/life concept. Skyline Villa was constructed in 1976 and has been well maintained. Unlike Skyline Manor, it has not been refurbished. Considering the good maintenance received, I estimate the effective age at less than the chronological age at 30 years. Marshall Valuation Service suggests a total economic life for a building of this class and grade at 60 years. Therefore, using the age/life concept, physical depreciation is estimated at 50% (30/60). Skyline Villa currently has an occupancy of 84% (84/100) for the nursing home, 94% (61/68) for the assisted living, and the memory care units are in the lease up stage. Skyline Villa is trying to achieve a stabilized occupancy of 90%, which would be a lease up of another 6 units for the nursing home, 0 units for the assisted living, and 27 memory care units leased. Reasons for the lower than expected occupancy are the overall economy, whereby older residents are opting to stay with relatives, live in their own dwellings, or some alternative living arrangement rather than independent living. The subject property is functionally designed. It has ancillary facilities, including nurses's stations, chapel, beauty salon, kitchen, main dining, private dining, and guest lounges. Functional obsolescence due to high vacancy is estimated at 50% of the depreciated value or \$4,900,974. There is no external obsolescence.

COST APPROACH (CONTINUED)

Skyline Villa "As Stabilized"

Marshall Valuation Service Manual: Section 12, Pages 21 - 40, Class C, Good

Size: 180,067 square feet (3 levels)
Age: 1976
Construction Class: C
Construction Type: Average/Good
Perimeter: 2,261 Lineal Feet
Ceiling Height: 9 Feet per Floor
Number of Beds: 100 nursing home units; 68 assisted living units; 30 memory care units

Base Cost/Square Foot	\$105.36
Plus Sprinkler	2.35
Plus HVAC Adjustment, Extreme Climate	<u>3.50</u>
Total Base Cost	\$111.21

Other Adjustments

Height	1.000	
Floor Area/Perimeter	1.030	
Current Cost Multiplier	.970	
Local Cost Multiplier	<u>.980</u>	
Final Square Foot Cost Multiplier		x .979

Adjusted Base Cost Per Square Foot for Skyline Villa	\$108.87
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180,067 square feet @ \$108.87/SF	\$19,603,894
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Less Physical Depreciation @ 50%	\$9,801,947	
Less Functional Obsolescence	N/A	
Less External Obsolescence	<u>N/A</u>	
Total Depreciation		<u>9,801,947</u>

		\$9,801,947
Depreciated Value	Called	\$9,800,000
Plus Land Value		<u>840,000</u>

Total Skyline Villa "As Stabilized"	\$10,640,000
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COST APPROACH (CONTINUED)

Recapitulation

From the preceding, we have the following estimate of value:

	<u>Skyline Manor</u>	<u>Skyline Villa</u>	<u>Total</u>
“As Is”	\$13,200,000	\$5,740,000	\$18,940,000
“As Stabilized”	\$17,900,000	\$10,640,000	\$28,540,000

SALES COMPARISON APPROACH

In the Sales Comparison Approach, the appraiser considers the sales of similar facilities which have recently sold. The sale properties are reduced to units of comparison to facilitate the appraisal comparison process.

The units of comparison employed in the appraisal of assisted living facilities are the sale price per units, sale price per square foot, and a gross rent multiplier. These are the three units of comparison commonly employed in the appraisal of this type of property.

The Sales Comparison Approach is based on the principle of substitution, which infers that a prudent man will not pay more to buy a property than it would cost to buy a similar desirable substitute property.

Since no two properties are identical, certain adjustments in the sale price of the comparable sales must be made to reflect the dissimilarities. In adjusting the units of comparison to the subject property, the appraiser takes into account the desirability of the location, the physical condition of the building and other improvements, the potential for increased revenues, and any other factors which would influence the valuation.

Please refer to the following pages for detailed summaries of six comparable sales:

SALES COMPARISON APPROACH (CONTINUED)

Improved Sale Number 1



Location: Bickford of Omaha - Blondo
11308 Blondo Street, Omaha, Nebraska

Grantor: Brown & Morsch Real Estate

Grantee: HSRE-BSL Omaha, L.L.C.

Instrument: Warranty Deed; Book 2011, Page 050213

Date of Sale: June 11, 2011

Sale Price: \$6,052,064

Verified By: Carol Hays, First American Title

Number of Units: 40

Sale Price Per Units: \$151,302

SALES COMPARISON APPROACH (CONTINUED)

Improved Sale Number 1 (Continued)

Gross Building Area: 22,794 square feet

**Price Per SF of
Gross Building Area:** \$266

Gross Income: \$1,800,000

GIM: 3.36

Net Income: \$600,000

OAR: 9.9%

Expense Ratio: 67%

Age/Condition: 1997 / Very Good

Comments: This building is a frame constructed Bickford Cottage constructed in 1997 and in very good condition at the time of sale.

SALES COMPARISON APPROACH (CONTINUED)

Improved Sale Number 2



Location: Bickford Cottage
5050 Hawthorne Drive, West Des Moines, Iowa

Grantor: West Des Moines Bickford Cottage, L.L.C.

Grantee: HSRE-BSL West Des Moines, L.L.C.

Instrument: Warranty Deed; Book 13877, Page 241

Date of Sale: June 10, 2011

Sale Price: \$9,779,870

Verified By: Brian Heinrichs, Executive Vice President, West Des Moines
Bickford Cottage, L.L.C.

Number of Units: 50

Sale Price Per Units: \$195,597

SALES COMPARISON APPROACH (CONTINUED)

Improved Sale Number 2 (Continued)

Gross Building Area: 28,248 square feet

**Price Per SF of
Gross Building Area:** \$346

Gross Income: \$2,400,000

GIM: 4.07

Net Income: \$1,000,000

OAR: 10.2%

Expense Ratio: 58%

Age/Condition: 1999 / Very Good

Comments: This building is a frame constructed Bickford Cottage constructed in 1999 and in very good condition at the time of sale.

SALES COMPARISON APPROACH (CONTINUED)

Improved Sale Number 3



Location: Bickford Cottage
7337 Hickory Street, Omaha, Nebraska

Grantor: Omaha II Bickford Cottage, L.L.C.

Grantee: Care YBE Subsidiary, L.L.C.

Instrument: Warranty Deed; Book 2008, Page 097977

Date of Sale: September 30, 2008

Sale Price: \$4,853,000

Verified By: Brian Heinrichs, Authorized Representative of Omaha II Bickford Cottage, L.L.C.

Number of Units: 37

Sale Price Per Units: \$131,162

SALES COMPARISON APPROACH (CONTINUED)

Improved Sale Number 3 (Continued)

Gross Building Area: 21,592 square feet

**Price Per SF of
Gross Building Area:** \$225

Gross Income: \$1,450,000

GIM: 3.35

Net Income: \$565,000

OAR: 11.6%

Expense Ratio: 61%

Age/Condition: 1998/Good

Comments: This building is a frame constructed assisted living facility in central Omaha. The improvements were constructed in 1998 and were in good condition at the time of sale.

SALES COMPARISON APPROACH (CONTINUED)

Improved Sale Number 4



Location: Granville Assisted Living Facility
8507 Granville Parkway, LaVista, Nebraska

Grantor: Granville Assisted Living, L.L.C.

Grantee: WC - Granville Villa, L.L.C.

Instrument: Warranty Deed; Book 2007, Page 02286

Date of Sale: January 12, 2007

Sale Price: \$5,700,892

Verified By: Lonnie Gienger, President & CEO, Granville Assisted Living, L.L.C.

Number of Units: 40

Sale Price Per Units: \$142,522

SALES COMPARISON APPROACH (CONTINUED)

Improved Sale Number 4 (Continued)

Gross Building Area: 26,683 square feet

**Price Per SF of
Gross Building Area:** \$214

Gross Income: \$1,070,000

GIM: 5.33

Net Income: \$450,000

OAR: 7.9%

Expense Ratio: 58%

Age/Condition: 2000/Good

Comments: This building is a frame constructed assisted living facility in Sarpy County. The improvements were constructed in 2000 and were in good condition at the time of sale.

SALES COMPARISON APPROACH (CONTINUED)

Improved Sale Number 5



Location: Waterford Assisted Living Facility
11909 Miracle Hills Drive, Omaha, Nebraska

Grantor: Silvercrest-Miracle Hills Assisted Living Limited Partnership

Grantee: Midwest Miracle Hills, L.L.C.

Instrument: Special Warranty Deed; Book 2006, Page 040917

Date of Sale: March 28, 2006

Sale Price: \$5,306,000

Verified By: Gail Werner-Robertson, Manager, Silvercrest-Miracle Hills Assisted Living Limited Partnership

Number of Units: 66

Sale Price Per Units: \$80,394

SALES COMPARISON APPROACH (CONTINUED)

Improved Sale Number 5 (Continued)

Gross Building Area: 52,307 square feet

**Price Per SF of
Gross Building Area:** \$101

Gross Income: \$2,178,000

GIM: 2.44

Net Income: \$740,000

OAR: 13.9%

Expense Ratio: 66%

Age/Condition: 1997/Average to Good

Comments: This building is a frame constructed assisted living facility in northwest Omaha. The improvements were constructed in 1997 and were in average to good condition at the time of sale.

SALES COMPARISON APPROACH (CONTINUED)

Improved Sale Number 6



Location: Waterford Fountain View Assisted Living Facility
5728 South 108th Street, Omaha, Nebraska

Grantor: 108th and “Q” Assisted Living, L.P.

Grantee: Midwest 108th and Q, L.L.C.

Instrument: Special Warranty Deed; Book 2006, Page 012479

Date of Sale: February 1, 2006

Sale Price: \$5,206,000

Verified By: Gail Werner-Robertson, Manager, 108th & “Q” Assisted Living, L.P.,
and Douglas County Records

Number of Units: 64

Sale Price Per Units: \$81,344

SALES COMPARISON APPROACH (CONTINUED)

Improved Sale Number 6 (Continued)

Gross Building Area: 55,091 square feet

**Price Per SF of
Gross Building Area:** \$94

Gross Income: \$1,765,000

GIM: 2.95

Net Income: \$615,000

OAR: 11.8%

Expense Ratio: 65%

Age/Condition: 1998/Average to Good

Comments: This building is a frame constructed assisted living facility in southwest Omaha. The improvements were constructed in 1998 and were in average to good condition at the time of sale.

SALES COMPARISON APPROACH (CONTINUED)

SUMMARY OF ASSISTED LIVING SALES												
Sale	Location	Sale Price	Date of Sale	Gross Building Area (SF)	Price/SF	Units	Price Per Unit	Gross Income	G.I.M.	Net Income	Overall Rate	Expense Ratio
1	11308 Blondo Street Omaha, NE	\$ 6,052,064	6/11	22,794	\$266	40	\$151,302	\$ 1,800,000	3.36	\$ 600,000	9.9%	67%
2	5050 Hawthorn Drive West Des Moines, IA	9,779,870	6/11	28,248	\$346	50	\$195,597	2,400,000	4.07	1,000,000	10.2%	58%
3	7337 Hickory Street Omaha, NE	4,853,000	9/08	21,592	\$225	37	\$131,162	1,450,000	3.35	565,000	11.6%	61%
4	8507 Granville Pkwy La Vista, NE	5,700,892	1/07	26,683	\$214	40	\$142,522	1,070,000	5.33	450,000	7.9%	58%
5	11909 Miracle Hills Omaha, NE	5,306,000	3/06	52,307	\$101	66	\$80,394	2,178,000	2.44	740,000	13.9%	66%
6	5627 S. 108 th Street Omaha, NE	5,206,000	2/06	55,091	\$94	64	\$81,344	1,765,000	2.95	615,000	11.8%	65%
TOTALS		\$ 36,897,826		206,715		297		\$ 10,663,000		\$ 3,970,000		
The following statistical observations can be made from the above sales:												
Arithmetic Mean					\$208		\$130,387		3.58		10.9%	63%
Weighted Mean					\$178		\$124,235		3.46		10.8%	63%
Midpoint				From	\$214		\$131,162		3.35		10.2%	61%
				To	\$225		\$142,522		3.36		11.6%	65%
Range Low					\$94		\$80,394		2.44		7.9%	58%
Range High					\$346		\$195,597		5.33		13.9%	67%

SALES COMPARISON APPROACH (CONTINUED)

Unfortunately, there are no 2012 or 2013 improved sales available. The preceding array is considered the best sales data available.

The purpose of the Sales Comparison Approach is to compare market data; that is, the prices paid for similar properties relative to the subject property. The data is not offered as independent evidence of value, but rather as an aid in the underwriting of the project.

From my research, I have utilized six sales of assisted living centers in Nebraska (5) and Iowa (1). The preceding sales ranged in total sale price from a low of \$4,853,000 for Sale 3 to a high of \$9,779,870 for Sale 2.

On a price per square foot basis, the arithmetic mean, weighted mean, and midpoint range of the sales was \$208, \$178, and \$214 to \$225 per square foot, respectively. The six sales ranged from a low of \$94 per square foot for Sale 6 to a high of \$346 per square foot for Sale 2.

On a price per unit basis, the sales had an arithmetic mean and weighted mean were \$130,387 and \$124,235 per unit. The sales ranged from a low of \$80,394 per unit for Sale 5 to a high of \$195,597 per unit for Sale 2. The midpoint range was \$131,162 for Sale 3 to \$142,522 per unit for Sale 4.

On a gross income basis, the GIM ranged from 2.44 for Sale 5 to a high of 5.33 for Sale 4. The arithmetic mean, weighted mean, and midpoint range were 3.58, 3.46, and 3.35 to 3.36.

On an overall rate basis, the sales had an arithmetic mean and weighted mean of 10.9% and 10.8%, respectively. The midpoint range was 10.2% for Sale 2 to 11.6% for Sale 3. The sales ranged from a low of 7.9% for Sale 4 to a high of 13.9% for Sale 5.

The arithmetic mean and weighted mean of the expense ratio were both 63%. The sales ranged from 58% for Sales 2 and 4 to 67% for Sale 1. The midpoint ranged from 61% for Sale 3 to 65% for Sale 6.

The appraiser has selected three sales (3, 5, and 6) to compare to the subject senior housing facility on an adjustment grid as follows:

"As Is" Basis

Sale 3: Sale 3 is located at 7337 Hickory Street and sold for \$131,162 per unit in September of 2003. Physical adjustments were +10% for age, -5% for smaller size, -25% for condition, and -20% for market appeal. The aggregate adjustment was -40% and the indicated adjusted price for the subject was \$78,697 per unit.

Sale 5: Sale 5 is located at 11909 Miracle Hills Drive and sold in March of 2006 for \$80,394 per unit. Physical adjustments were +10% for age, -5% for smaller size, +5% for condition, and -10% for market appeal. The adjustments offset and the indicated adjusted price for the subject remained the same at \$80,394 per unit.

SALES COMPARISON APPROACH (CONTINUED)

Sale 6: Sale 6 is located at 5677 South 108th Street and sold in February of 2006 for \$81,344 per unit. Physical adjustments were +10% for age, -5% for size, +5% for condition, and -10% for market appeal. The adjustments offset and the adjusted price remained the same for the subject at \$81,344 per unit.

As Stabilized” Basis

The same three sales were adjusted on an “as stabilized” basis as follows:

Sale 3: Sale 3 is located at 7337 Hickory Street and sold for \$131,162 per unit in September of 2003. Physical adjustments were +10% for age, -5% for smaller size, -25% for condition, and -5% for market appeal. The aggregate adjustment was -25% and the indicated adjusted price for the subject was \$98,372 per unit.

Sale 5: Sale 5 is located at 11909 Miracle Hills Drive and sold in March of 2006 for \$80,394 per unit. Physical adjustments were +10% for age, -5% for smaller size, +5% for condition, and +15% for market appeal. The aggregate adjustment was +25% and the indicated adjusted price for the subject was \$100,493 per unit.

Sale 6: Sale 6 is located at 5677 South 108th Street and sold in February of 2006 for \$81,344 per unit. Physical adjustments were +10% for age, -5% for size, +5% for condition, and +15% for market appeal. The aggregate adjustment was +25% and the adjusted price for the subject was \$101,680 per unit.

Please refer to the following pages for adjustment grids on a per unit basis, both on an “as is” basis and “as stabilized” basis.

SALES COMPARISON APPROACH (CONTINUED)

Adjustment Grid (Per Unit Basis) Skyline Manor "As Is" Basis (150 Units)			
	Sale 3	Sale 5	Sale 6
Price Per Unit	\$131,162	\$80,394	\$81,344
Time	0	0	0
Age and Condition Subject: 1969/2008	1998 Good +10%	1997 Good +10%	1998 Good +10%
Size of Units Subject: 150	Smaller -5%	Smaller -5%	Smaller -5%
Condition/Construction Subject: Very Good/Good	Excellent -25%	Average to Good +5%	Average to Good +5%
Location Subject: Omaha	Omaha -0-	Omaha -0-	Omaha -0-
Market Appeal Occupancy 78%	Superior -20%	Superior -10%	Superior -10%
Aggregate Adjustment	-40%	-0-	-0-
Adjusted Price Per Unit	\$78,697	\$80,394	\$81,344

	<u>Per Unit</u>
Arithmetic Mean	\$80,145
Standard Deviation	\$1,341
68% Confidence Interval	\$78,804 to \$81,486
Concluded Value	\$80,000

The following unit of comparison applies:

150 units @ \$80,000/unit = \$12,000,000

Indicated Value by the Sales Comparison Approach "As Is" \$12,000,000

SALES COMPARISON APPROACH (CONTINUED)

Adjustment Grid (Per Unit Basis) Skyline Manor "As Stabilized" Basis (150 Units)			
	Sale 3	Sale 5	Sale 6
Price Per Unit	\$131,162	\$80,394	\$81,344
Time	0	0	0
Age and Condition Subject: 1969/2008	1998 Good +10%	1997 Good +10%	1998 Good +10%
Size of Units Subject: 150	Smaller -5%	Smaller -5%	Smaller -5%
Condition/Construction Subject: Very Good/Good	Excellent -25%	Average to Good +5%	Average to Good +5%
Location Subject: Omaha	Omaha -0-	Omaha -0-	Omaha -0-
Market Appeal Occupancy 90%	Superior -5%	Inferior +15%	Inferior +15%
Aggregate Adjustment	-25%	+25%	+25%
Adjusted Price Per Unit	\$98,372	\$100,493	\$101,680

	<u>Per Unit</u>
Arithmetic Mean	\$100,182
Standard Deviation	\$1,676
68% Confidence Interval	\$98,506 to \$101,858
Concluded Value	\$100,000

The following unit of comparison applies:

150 units @ \$100,000/unit = \$15,000,000

Indicated Value by the Sales Comparison Approach "As Stabilized" \$15,000,000

SALES COMPARISON APPROACH (CONTINUED)

I have concluded my value for the independent living Skyline Manor at \$80,000 per unit on an “as is” basis and \$100,000 per unit on “as if stabilized at 90% occupancy” basis. After considering and analyzing all the sales data, the appraiser estimates the value of the subject Skyline Manor on an “as is” basis to be \$90 per square foot and \$80,000 per unit. The concluded value of Skyline Manor on an “as is” basis was \$12,000,000.

For the valuation of Skyline Manor “as stabilized at 90% occupancy”, I have utilized an indication of \$110 per square foot and \$100,000 per unit. The concluded value “as stabilized” was \$15,000,000.

In the valuation of Skyline Villa “as is”, I have utilized a value of \$34 per square foot and \$30,000 per unit,. The concluded value was \$6,000,000.

In the valuation of Skyline Villa “as stabilized”, I have utilized a value of \$65 per square foot and \$60,000 per unit. The concluded value was \$11,800,000.

Relating these units of comparison to the subject property results in the following indications of value:

Skyline Manor “As Is”

136,274 square feet @ \$90/SF = \$12,264,660, called	\$12,300,000
150 units @ \$80,000/unit =	\$12,000,000
Concluded Value	\$12,000,000

Skyline Manor “As Stabilized”

136,274 square feet @ \$110/SF = \$14,990,140, called	\$14,990,000
150 units @ \$100,000/unit =	\$15,000,000
Concluded Value	\$15,000,000

Skyline Villa “As Is”

180,067 square feet @ \$34/SF = \$6,122,278, called	\$6,100,000
198 units @ \$30,000/unit =	\$5,940,000
Concluded Value	\$6,000,000

Skyline Villa “As Stabilized”

180,067 square feet @ \$65/SF = \$11,704,355, called	\$11,700,000
198 units @ \$60,000/unit = \$11,880,000, called	\$11,900,000
Concluded Value	\$11,800,000

INCOME CAPITALIZATION APPROACH

The procedure of the Income Capitalization Approach arrives at an estimate of value by estimating the future operation from comparable market data. Under the principle of substitution, the value tends to be set by the investment necessary to acquire, without undue delay, a comparable substitute income property offering an equally desirable net income return.

Gross rental schedules, vacancy and collection losses, fixed expenses, and all operational expenses are estimated and deducted from potential gross income to arrive at the estimated net operating income. This net income is converted to an estimate of value by a capitalization process. The capitalization rate includes both an interest rate and a recapture rate. The method and technique of capitalization is determined by the nature of the property in the marketplace.

In arriving at an estimate of potential gross income, the appraiser is concerned with the quantity, quality, and durability of income. An allowance for vacancy loss is estimated from the market and related to the potential gross income. The various expense items vary with the type of property appraised and the existing rental or lease provisions for that type of property, but usually includes real estate taxes, hazard insurance, liability insurance, management and/or other administrative expenses, utilities, cleaning, repairs, and decorating. In the case of the subject property assisted living facility, expenses can be broadly categorized as Salaries, Administration, Building and Grounds, Dietary, Housekeeping, Nursing Services, Other Expenses, Taxes, and Reserves.

There are three important capitalization techniques: the land residual technique, the building residual technique, and the property residual technique. There are numerous capitalization methods, including direct capitalization, straight line capitalization, and various annuity methods.

There are several methods for obtaining the proper interest rate, recapture rate, and capitalization rate. These methods are called rate selection by summation, rate selection by the Band of Investment theory, rate selection by comparison of quality attributes, rate selection by direct comparison, rate selection by the mortgage equity technique, rate selection by the loan underwriter's method, and rate selection by various publications by commitments of life insurance companies.

A simple application of direct comparison is the overall rate. The overall rate is the percentage which combines within itself the interest rate for land and the capitalization rate for the building. It is the relationship between the entire property and the net income (before recapture) attributable to the property. If we are comparing data on similar properties, this method can be quite simple.

Detailed on the following pages is summarized rental information pertaining to the six comparable assisted living facilities and four independent living facilities. These rents are discussed in detail as follows:

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Comparable Number 1
Waterford



Location: 11909 Miracle Hills Drive, Omaha, Nebraska

Date of Survey: May, 2013

Type of Facility: 66 unit assisted living facility

Number/Type of Units:

Style	Size/SF
Studio	433
1 Bedroom	522
2 Bedroom	1,025
2 Bedroom	1,044

Occupancy: 97% (2 units available)

Age: 1998

Quality/Condition: Good/Good

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Comparable Number 1 (Continued)

Rental Data:

Style	Size/SF	Rent/ Month	Rent/SF
Studio	433	\$3,228	\$7.46
1 Bedroom	522	\$3,628	\$6.95
2 Bedroom	1,025	\$3,975	\$3.88
2 Bedroom	1,044	\$4,400	\$4.21

Amenities Included in Rent: Rent includes three meals per day, housekeeping services, all utilities paid except telephone, assistance with daily living activities (bathing, dressing and transitioning), beauty/barber shop, nursing care for the passing and administration of medicines, scheduled transportation and daily activities for residents. In addition to the quoted rates, there are additional charges for the various levels of care of the residents. It is projected that 45% of residents will not require additional care on a continual basis. Second occupant is charged \$550 per month. Those requiring it will have the following levels and associated costs:

Level One Care	\$300/month
Level Two Care	\$600/month
Level Three Care	\$900/month

Comments: Waterford is oriented toward the higher income range for residents because of the excellent location, very functional design, and overall appeal to the healthy elderly.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Comparable Number 2
Waterford



Location: 5728 South 108th Street, Omaha, Nebraska

Date of Survey: May, 2013

Type of Facility: 64 unit assisted living facility

Number/Type of Units:

Type	Size/SF
1 Bedroom/1 Bath	522
2 Bedroom/1 Bath	738
Studio	403

Occupancy: 95% (3 units available)

Age: 1998

Quality/Condition: Good/Good

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Comparable Number 2 (Continued)

Rental Data:

Style	Size/SF	Monthly Rent	Rent/SF
1 Bedroom/1 Bath	522	\$3,300	\$6.32
2 Bedroom/1 Bath	738	\$3,800	\$5.15
Studio	403	\$3,228	\$8.01

Amenities Included in Rent: Monthly rent includes 3 meals daily, housekeeping services, all utilities except telephone, assistance with daily living activities (bathing, dressing, transitioning) beauty/barber shop, nursing care for the passing and administration of medication, scheduled transportation and daily activities. An additional occupant is charged \$540 for a 30 day month. Additional care is available on three levels based upon time spent with the resident per day. Those levels and extra charges are as follows:

Level One Care	\$300 monthly
Level Two Care	\$600 monthly
Level Three Care	\$900 monthly

Comments: Silvercrest is oriented toward the higher income range for residents because of the excellent location, very functional design, and overall appeal to the healthy elderly.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Comparable Number 3
Westgate



Location: 3030 South 80th Street, Omaha, Nebraska

Date of Survey: May, 2013

Type of Facility: 73 unit assisted living facility

Number/Type of Units:

Type	Size/SF
Studio	350
1 Bedroom	450
1 Bedroom Deluxe	470

Occupancy: 97% (2 units available)

Age: 1991

Quality/Condition: Good/Good

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Comparable Number 3 (Continued)

Rental Data:

Style	Size/SF	Monthly Rent	Rent/SF
Studio	350	\$2,700	\$7.71
1 Bedroom	450	\$3,250	\$7.22
1 Bedroom Deluxe	470	\$3,370	\$7.17

Amenities Included in Rent: The monthly rates are for unfurnished single occupancy and rent includes daily meal services, emergency call system, housekeeping services, scheduled transportation, carpet, drapes, kitchen appliances, and all utilities except telephone. The second occupant charges are \$600 per month. Additional care is available on three levels as follows:

Level One Care	\$425 monthly
Level Two Care	\$850 monthly
Level Three Care	\$1,275 monthly

Other amenities include personal laundry availability at \$10 per person, cable television and a full size refrigerator. Individual units have no stove.

Comments: Westgate was designed as an L shaped building located adjacent to Crown Point Retirement Center. Monthly rental varies upon the size, location, and number of residents per room.

The facility is constructed of high-grade materials, is a two-story brick facility and contains approximately 50,608 square feet.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Comparable Number 4
Bickford Cottage



Location: 11308 Blondo Street, Omaha, Nebraska

Date of Survey: May, 2013

Type of Facility: 40 unit assisted living facility

Number/Type of Units:

Style	Size/SF
Studio	280
Large Studio	307
1 Bedroom	350

Occupancy: 98% (1 unit available)

Age: 1997

Quality/Condition: Good/Good

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Comparable Number 4 (Continued)

Rental Data:

Style	Size/SF	Rent/ Month	Rent/SF
Studio	280	\$2,400	\$8.57
Large Studio	307	\$3,100	\$10.10
1 Bedroom	350	\$3,400	\$9.71

Amenities Included in Rent: Basic service package consists of van transportation and wellness program. It does not include housekeeping or meals. Those requiring additional levels of care will have the following costs:

Level One Care	\$300 monthly
Level Two Care	\$600 monthly
Level Three Care	\$900 monthly
Level Four Care	\$1,200 monthly
Level Five Care	\$1,500 monthly

Comments: Bickford Cottage is part of a national chain with a very good reputation.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Comparable Number 5
Parson's House



Location: 14325 Eagle Run Drive, Omaha, Nebraska

Date of Survey: May, 2013

Type of Facility: 100 unit assisted living facility

Number/Type of Units:

Style	Size/SF
Studio	288
Parlor	420
1 Bedroom	465
1 Bedroom w/ Den	598
Suite	800

Occupancy: 97% (3 units available)

Age: 1999

Quality/Condition: Good/Good

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Comparable Number 5 (Continued)

Rental Data:

Style	Size/SF	Rent/ Month	Rent/SF
Studio	288	\$2,500	\$8.68
Parlor	420	\$3,200	\$7.62
1 Bedroom	465	\$4,100	\$8.82
1 Bedroom w/ Den	598	\$4,400	\$7.36
Suite	800	\$4,400	\$5.50

Amenities Included in Rent: Rent includes three meals per day, housekeeping services, all utilities paid except telephone, assistance with daily living activities (bathing, dressing and transitioning), beauty/barber shop, nursing care for the passing and administration of medicines, scheduled transportation and daily activities for residents. In addition to the quoted rates, there are additional charges for the various levels of care of the residents. Additional occupant is charged \$750 per month on a 30 day month. Those requiring additional care will have the following levels and associated costs:

Level One Care	\$300/month
Level Two Care	\$600/month
Level Three Care	\$900/month

Comments: This is a premier assisted living/dementia care facility situated in a very ideal setting in northwest Omaha. The facility overlooks Champions Golf Course and has hospice, physician, and podiatrist services.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Comparable Number 6
Brighton Gardens



Location: 9220 Western Avenue, Omaha, Nebraska

Date of Survey: May, 2013

Type of Facility: 72 unit assisted living facility

Number/Type of Units:

Style	Size/SF
Studio	350
1 Bedroom	400
1 Bedroom Deluxe	450

Occupancy: 99% (1 unit available)

Age: 1998

Quality/Condition: Good/Good

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Comparable Number 6 (Continued)

Rental Data:

Style	Size/SF	Rent/ Month	Rent/SF
Studio	350	\$3,345	\$9.56
1 Bedroom	400	\$3,650	\$9.13
1 Bedroom Deluxe	450	\$4,100	\$9.11

Amenities Included in Rent: Bathing, dressing, medication reminders, three meals daily, housekeeping, linen and towel service, emergency call service, scheduled activities, transportation and all utilities except telephone. Additional occupant is \$900 per month based on a 30 day month. Those requiring additional levels of care will have the following costs:

Level One Care	\$32/day - \$973/month
Level Two Care	\$50/day - \$1,520 month
Level Three Care	\$70/day - \$2,130/month

Comments: This is a retirement community constructed in 1998 and in good condition. Brighton Gardens is conveniently located on the north side of Western Avenue at about North 92nd Street. With the base fee, residents receive a personalized assessment, reminders, cueing and direction for activities of daily living.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Assisted Living Facilities							
	Facility/Location	Occupancy	Type of Unit	Unit Size (SF)	Monthly Rent (Levels 1-2-3)	Base Rent	Rent Per SF
1	Waterford 11909 Miracle Hills Drive	97%	Studio	433	Level 1 \$300	\$3,228	\$7.46
			1 Bedroom	522	Level 2 \$600	\$3,628	\$6.95
			2 Bedroom	1,025	Level 3 \$900	\$3,975	\$3.88
			2 Bedroom	1,044		\$4,400	\$4.21
2	Waterford 5728 South 108 th Street	95%	1 Bedroom	522	Level 1 \$300	\$3,300	\$6.32
			2 Bedroom	738	Level 2 \$600	\$3,800	\$5.15
			Studio	403	Level 3 \$900	\$3,228	\$8.01
3	Westgate 3030 South 80 th Street	97%	Studio	350	Level 1 \$425	\$2,700	\$7.71
			1 Bedroom	450	Level 2 \$850	\$3,250	\$7.22
			1 Bedroom Deluxe	470	Level 3 \$1,275	\$3,370	\$7.17
4	Bickford Cottage 11308 Blondo Street	98%	Studio	280	Level 1 \$300	\$2,400	\$8.57
			Large Studio	307	Level 2 \$600	\$3,100	\$10.10
			1 Bedroom	350	Level 3 \$900	\$3,400	\$9.71
					Level 4 \$1,200		
					Level 5 \$1,500		
5	Parson's House 14325 Eagle Run Drive	97%	Studio	288	Level 1 \$300	\$2,500	\$8.68
			Parlor	420	Level 2 \$600	\$3,200	\$7.62
			1 Bedroom	465	Level 3 \$900	\$4,100	\$8.82
			1 Bedroom w/ Den	598		\$4,400	\$7.36
			Suite	800		\$4,400	\$5.50
6	Brighton Gardens 9220 Western Avenue	99%	Studio	350	Level 1 \$973	\$3,345	\$9.56
			1 Bedroom	400	Level 2 \$1,520	\$3,650	\$9.13
			1 Bedroom Deluxe	450	Level 3 \$2,130	\$4,100	\$9.11

INCOME CAPITALIZATION APPROACH (CONTINUED)

Senior Living Facility Comparable Number 1
Maple Ridge



Location: 3525 North 167th Circle, Omaha, Nebraska

Date of Survey: May, 2013

Type of Facility: 129 unit independent living facility

Type of Units/Rental:

Type	Size/SF	Monthly Rental
Studio	500	\$2,195 to \$2,245
1 Bedroom	700 - 770	\$2,350 to \$2,575
2 Bedroom	1,032 - 1,044	\$3,275 to \$3,475
3 Bedroom	1,350	\$3,720 to \$3,745

Occupancy: 92% (11 units available)

Age: 2006

Quality/Condition: Good/Good

Confirmation: Michelle Meehan, Marketing Director

INCOME CAPITALIZATION APPROACH (CONTINUED)

Senior Living Facility Comparable Number 1 (Continued)

Amenities Included in Rent: Monthly rent includes 3 meals daily, housekeeping services, all utilities except telephone, beauty/barber shop, transportation and daily activities.

Comments: Maple Ridge is oriented toward the higher income range for residents because of the excellent location, very functional design, and overall appeal to the healthy elderly.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Senior Living Facility Comparable Number 2
Rolling Hills Ranch



Location: 4324 North 132nd Street, Omaha, Nebraska

Date of Survey: May, 2013

Type of Facility: 80 unit independent living facility

Type of Units/Rental:

Type	Size/SF	Monthly Rental
Studio	433	\$1,640
1 Bedroom	549	\$2,035
2 Bedroom Suite	937	\$2,780

Occupancy: 94% (5 units available)

Age: 2007

Quality/Condition: Good/Good

Confirmation: Pam Jackson, Community Sales Leader

INCOME CAPITALIZATION APPROACH (CONTINUED)

Senior Living Facility Comparable Number 2 (Continued)

Amenities Included in Rent: The monthly rates are for unfurnished single occupancy and rent includes daily meal services, emergency call system, housekeeping services, scheduled transportation, carpet, drapes, kitchen appliances, and all utilities except telephone. Other amenities include personal laundry availability, cable television and a full size refrigerator. Individual units have no stove.

Comments: Rolling Hills Ranch was designed as a modern building located on the west side of North 132nd Street, three blocks north of West Maple Road. Monthly rental varies upon the size, location, and number of residents per room.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Senior Living Facility Comparable Number 3
Sunridge Senior Citizens Apartments



Location: 13410 Blondo Street, Omaha, Nebraska

Date of Survey: May, 2013

Type of Facility: 82 unit independent living facility

INCOME CAPITALIZATION APPROACH (CONTINUED)

Senior Living Facility Comparable Number 3 (Continued)

Type of Units/Rental:

Unit	Style	No of Units	Unit Size (SF)	Rent	
				Monthly	Total
1A	1-bedroom	11	705	\$ 2,048	\$ 22,528
1D	1-bedroom	2	800	2,168	4,336
1E	1-bedroom	1	705	2,048	2,048
1F	1-bedroom	4	665	2,010	8,040
1G	1-bedroom	1	665	2,010	2,010
1H	1-bedroom	1	665	2,010	2,010
1B	1-bedroom	2	790	2,153	4,306
1C	1-bedroom	2	840	2,235	4,470
1I	1-bedroom	1	750	2,123	2,123
	Subtotal	25			\$ 51,871
2B	2-bedroom/1 bath	5	840	2,370	11,850
2E	2-bedroom/1 bath	2	965	2,505	5,010
2F	2-bedroom/1 bath	7	910	2,430	17,010
	Subtotal	14			\$ 33,870
2A	2-bedroom/2 bath	36	965	2,505	90,180
2C	2-bedroom/2 bath	4	1,010	2,648	10,592
2D	2 bedroom/2 bath	3	1,220	2,880	8,640
	Subtotal	43			\$ 109,412
	Total	82			\$ 195,153

Occupancy: 96% (3 units available)

Age: 1997

Quality/Condition: Good/Good

Confirmation: Richard Anzalone, Manager

Amenities Included in Rent: The monthly rates are for unfurnished single occupancy and rent includes daily meal services, emergency call system, housekeeping services, scheduled transportation, carpet, drapes, kitchen appliances, and all utilities except telephone. Other amenities include personal laundry availability, cable television and a full size refrigerator. Individual units have no stove.

Comments: Sunridge was designed as a modern building located on the north side of Blondo Street and east of South 135th Street. Monthly rental varies upon the size, location, and number of residents per room.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Senior Living Facilities						
	Facility/Location	Occupancy	Type of Unit	Unit Size (SF)	Monthly Rent	Rent Per SF
1	Maple Ridge 3525 North 167 th Circle	92%	Studio	500	\$2,195 to \$2,245	\$4.39 - \$4.49
			1 Bedroom	700 - 770	\$2,350 to \$2,575	\$3.36 - \$3.34
			2 Bedroom	1,032 - 1,044	\$3,275 to \$3,475	\$3.17 - \$3.33
			3 Bedroom	1,350	\$3,720 to \$3,745	\$2.76 - \$2.77
2	Rolling Hills Ranch 4324 North 132 nd Street	94%	Studio	433	\$1,640	\$3.79
			1 Bedroom	549	\$2,035	\$3.71
			2 Bedroom Suite	937	\$2,780	\$2.97
3	Sunridge Senior Citizens Apartments	96%	1A 1-bedroom	705	\$2,048	\$2.91
			1D 1-bedroom	800	\$2,168	\$2.71
			1E 1-bedroom	705	\$2,048	\$2.91
			1F 1-bedroom	665	\$2,010	\$3.02
			1G 1-bedroom	665	\$2,010	\$3.02
			1H 1-bedroom	665	\$2,010	\$3.02
			1B 1-bedroom	790	\$2,153	\$2.73
			1C 1-bedroom	840	\$2,235	\$2.66
			1I 1-bedroom	750	\$2,123	\$2.83
			2B 2-bedroom/1 bath	840	\$2,370	\$2.82
			2E 2-bedroom/1 bath	965	\$2,505	\$2.60
			2F 2-bedroom/1 bath	910	\$2,430	\$2.67
			2A 2-bedroom/2 bath	965	\$2,505	\$2.60
			2C 2-bedroom/2 bath	1,010	\$2,648	\$2.62
			2D 2-bedroom/2 bath	1,220	\$2,880	\$2.36

Please to refer to the following pages for details of three nursing home comparables.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Nursing Home Comparable Number 1



Name: Maple Crest Care Center

Location: 2824 North 66th Avenue, Omaha, Nebraska

Beds: 175

Date of Survey: May, 2013

Type of Facility: Nursing Home

Openings: 8 (95% occupancy)

Cost: \$182 - \$229 per day depending on level of care

Amenities: This is a full service nursing home located 3 ½ miles southeast of the subject

INCOME CAPITALIZATION APPROACH (CONTINUED)

Nursing Home Comparable Number 2



Name: The Ambassador

Location: 1540 North 72nd Street, Omaha, Nebraska

Beds: 125

Date of Survey: May, 2013

Type of Facility: Nursing Home

Openings: 8 (94% occupancy)

Cost: \$200 - \$260 per day depending on level of care

Amenities: This is a full service nursing home located 3 ½ miles south of the subject.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Nursing Home Comparable Number 3



Name: Montclair Nursing Center

Location: 2525 South 135th Avenue, Omaha, Nebraska

Beds: 109

Date of Survey: May, 2013

Type of Facility: Nursing Home

Openings: 4 (96% occupancy)
No private rooms available, 4 semi-private rooms available

Cost: \$254 per day – private
\$191 per day – semi-private

Amenities: This is a full service nursing home located 13 miles southwest of the subject.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Nursing Home Facilities				
	Facility/Location	Openings	Cost Per Day	Amenities
1	Maple Crest Care Center 2824 North 66 th Avenue	8	\$182 - \$229 depending on level of care	Full service nursing home
2	The Ambassador 1540 North 72 nd Street	8	\$200 - \$260 depending on level of care	Full service nursing home
3	Montclair 2525 South 135 th Avenue	4	\$254 Private \$191 Semi-Private	Full service nursing home; no private rooms available and 4 semi-private rooms available

INCOME CAPITALIZATION APPROACH (CONTINUED)

The preceding comparables (6 assisted living facilities; 4 independent living facilities, and 3 nursing homes) are generally regarded as the primary competition for the subject. The average occupancy of the existing comparables is 97% for the assisted living facilities, 98% for the independent living facilities, and 95% for the nursing homes.

Other factors to be considered when the subject is compared to the rentals are:

- 1) The subject property is the only facility in north-central Omaha offering independent living, assisted living, and skilled nursing.
- 2) The subject independent living units ranged in size from a low of 329 square feet for the 20 Cambridge units to 1,226 square feet for the 5 Lincoln units. The remaining units range from 433 square feet for the Bellwood units to 1,093 square feet for the Columbus units.
- 3) The subject competes with all of the comparables in that it has 24 hour staffing, plus providing assistance with bathing, dressing, medication reminders and other daily activities. The subject provides housekeeping, laundry facilities and scheduled transportation.
- 4) Similar to the competition, all of the subject unit types provide:
 - a) three meals daily
 - b) housekeeping services
 - c) all utilities except telephone
 - d) aides to help residents with bathing, dressing and transitioning, and other daily activities
 - e) fitness room
 - f) nursing care for the passing and administration of medication (assisted living and nursing home only)
 - g) daily activities for residents
 - h) weekly flat linen laundry service
 - i) scheduled transportation for medical and community services
 - j) planned events and outings
 - k) smoke detectors and emergency call system

In projecting a Pro Forma for the subject property, in the “as is” valuation, I have utilized the actual 2012 income in projecting income for the subject. The potential income was calculated based on the actual income divided by their current occupancy for the potential income. In other words, the independent living units were calculated by dividing actual income of \$2,032,851 by the current occupancy of 85% which indicates a potential income of \$2,391,589. This amount is divided by the 115 units and divided by 12 months to equal a unit rental income of \$1,733 per month. For purposes of the proforma, I have rounded this to \$1,750 per month. The independent living apartments, the assisted living, and the skilled nursing were all calculated on the same formula. The occupancy is 85% for the independent living, 77% for the Skyline Manor apartments, 94% for the assisted living, and 84% for the skilled nursing.

Please refer to the following pages for Pro Forma Income Statements on an “as is” basis and “as stabilized” basis.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Skyline Manor "As Is" Pro Forma Income Statement				
	# Units	Monthly Rent		
Skyline Manor – Independent Living	115	\$1,750	annualized	\$ 2,415,000
Skyline Manor – Independent Living	35	\$750	annualized	315,000
Assisted Living	68	\$2,100	annualized	1,713,600
Skilled Nursing	100	\$200	per day annualized	7,300,000
Memory Care	30	\$3,000	annualized	1,080,000
Other Income				35,000
Total Potential Income				\$ 12,858,600
Less Vacancy @ 20%				2,571,720
Effective Gross Income				\$ 10,286,880
Less Expenses	Amount	% EGI	Per SF	
Salaries	\$ 5,300,000	51.52%	\$16.63	
Real Estate Taxes	187,000	1.82%	\$0.59	
Operating Expenses	1,600,000	15.55%	\$5.02	
Ancillary Expenses	380,000	3.69%	\$1.19	
Utilities	375,000	3.65%	\$1.18	
Management Fee @ 3.50%	360,000	3.50%	\$1.13	
Reserves @ 3%	308,606	3.00%	\$0.97	
Total expenses	\$ 8,510,606	82.73%	\$26.70	8,510,606
Net operating income				\$ 1,776,274
			Called	\$ 1,775,000

INCOME CAPITALIZATION APPROACH (CONTINUED)

Skyline Manor "As Stabilized" Pro Forma Income Statement				
	# Units	Monthly Rent		
Skyline Manor – Independent Living	115	\$1,750	annualized	\$ 2,415,000
Skyline Manor – Independent Living	35	\$750	annualized	315,000
Assisted Living	68	\$2,100	annualized	1,713,600
Skilled Nursing	100	\$200	per day annualized	7,300,000
Memory Care	30	\$3,000	annualized	1,080,000
Other Income				35,000
Total Potential Income				\$ 12,858,600
Less Vacancy @ 10%				1,285,860
Effective Gross Income				\$ 11,572,740
Less Expenses	Amount	% EGI	Per SF	
Salaries	\$ 5,700,000	49.25%	\$17.88	
Real Estate Taxes	187,000	1.62%	\$0.59	
Operating Expenses	1,700,000	14.69%	\$5.33	
Ancillary Expenses	400,000	3.46%	\$1.26	
Utilities	375,000	3.24%	\$1.18	
Management Fee @ 3.50%	405,000	3.50%	\$1.27	
Reserves @ 3%	347,182	3.00%	\$1.09	
Total expenses	\$ 9,114,182	78.76%	\$28.60	9,114,182
Net operating income				\$ 2,458,558
			Called	\$ 2,460,000

INCOME CAPITALIZATION APPROACH (CONTINUED)

Explanation of Income and Expense Items

In the "as is" valuation, the independent living apartments were allocated a typical monthly rent of \$1,750 per unit. The 35 independent living apartments were estimated to have a value of \$750 per month; the 68 assisted living had a rental value of \$2,100 per month; the 100 skilled nursing bed were estimated at \$200 per day; and the 30 memory care units are estimated at \$3,000 per month. Other income is estimated at \$35,000 on an annual basis. Thus, total potential income is estimated at \$12,858,600. I have utilized a vacancy of 20% or \$2,571,720 indicating an effective gross income of \$10,286,880.

Expenses are allocated as follows:

Salaries are estimated at \$5,300,000, equal to 51.52%, or \$16.63 per square foot.

Real estate taxes are estimated at \$187,000, equal to 1.82%, or \$0.59 per square foot. This is the actual tax liability for the subject property.

Operating expenses are estimated at \$1,600,000, equal to 15.55%, or \$5.02 per square foot.

Ancillary expenses are estimated at \$380,000, equal to 3.69%, or \$1.19 per square foot.

Utilities are estimated at \$375,000, equal to 3.65%, or \$1.18 per square foot. This is the actual utilities expense incurred.

Management expense is estimated at 3.50% of effective gross income or \$360,000, equal to \$1.13 per square foot.

Reserves are estimated at 3% of effective gross income or \$308,606, equal to \$0.97 per square foot.

Total expenses in the "as is" valuation are \$8,510,606, or 82.73% of income and \$26.70 per square foot.

Thus, the net operating income on an "as is" basis is estimated at \$1,776,274, rounded to \$1,775,000.

In the "as stabilized" valuation, the income estimates were the same as the "as is" basis. I have reduced the total vacancy to a stabilized 10% for an effective gross income of \$11,572,740.

Expenses were adjusted as follows:

Salaries were increased to \$5,700,000, equal to 49.25%, or \$17.88 per square foot.

Real estate taxes remain the same at \$187,000, equal to 1.82%, or \$0.59 per square foot.

INCOME CAPITALIZATION APPROACH (CONTINUED)

Operating expenses were increased to \$1,700,000, equal to 14.69%, or \$5.33 per square foot.

Ancillary expenses were increased to \$400,000, equal to 3.46%, or \$1.26 per square foot.

Utilities remained the same at \$375,000, equal to 3.65%, or \$1.18 per square foot.

Management expense is estimated at \$405,000 or 3.50% of effective gross income.

Reserves are estimated at 3% of effective gross income or \$347,182.

Total expenses were increased to \$9,114,182 for a net operating income of \$2,458,558, rounded to \$2,460,000.

Band of Investment Method

The Band of Investment Method is a method of deriving an overall rate of return from the annual mortgage constant and equity dividend rate.

The mortgage constant is a ratio of the annual debt service (principal plus interest) to the amount borrowed for a given interest rate and amortization term. It is the rate which provides a return on and of the borrowed funds or the lender's position.

The equity dividend rate is the annual cash throw-off to the equity position divided by the amount of equity cash invested. It is also referred to as the cash on cash rate of return or "current" yield expected by the equity position.

Given market information on the percentage that borrowed money contributes (the loan-value ratio) to the investment, the percentage that equity money contributes, the mortgage terms (interest rate and amortization period), and the equity investor's expected rate of return for investment in properties of the subject's type, the Band of Investment Method provides another means of selecting an overall capitalization rate. The process involves weighing proportions for the mortgage and equity positions by their respective currently required cash rates of return.

Band of Investment Method – Skyline Manor

Financial lenders indicate the following mortgage terms and interest rates available for financing properties similar to the subject property:

7% interest rate, 25 year term with a ten-year balloon

INCOME CAPITALIZATION APPROACH (CONTINUED)

Band of Investment Method – Skyline Manor

These financing terms would be subject to a 1% loan processing fee and would have a 70% loan-to-value ratio. Using terms of 7% with a 25 year term and a 10 year balloon, the following variables would apply:

M =	Loan-to-Value Ratio - Mortgage Contribution to Purchase Capital =	70%
1-M =	The Equity Contribution to Purchase Capital =	30%
Y _m =	Mortgage Interest Rate Commitment =	7%
R _m =	Annual Mortgage Constant Using Monthly Amortization =	9.30%
N =	Amortization Period =	20 Years
R _e =	Equity Dividend Rate = Equity Investor's Cash-on-Cash Expected Annual Rate of Return =	10%

The Band of Investment derivation of the overall capitalization rate based on the above financial market data is summarized as follows:

Summary of Band of Investment Method

	<u>% Purchase Capital Contributed</u>	<u>Current Yield Requirement</u>	<u>Weighted Rate</u>
Mortgage Position	70% (M)	9.30% =	6.51%
Plus: Equity Position	30% (1-M)	10.00% =	3.00%
R _o = Total Purchase Capital Weighted Rate = Overall Capitalization Rate =			9.51%
		Called	9.50%

INCOME CAPITALIZATION APPROACH (CONTINUED)

Using these four capitalization rates and capitalizing the projected Net Operating Income derived from each of the four Pro Forma results in the following:

Skyline Manor "As Is"

Net Operating Income of \$1,775,000 capitalized at 9.5% = \$18,684,211,
called \$18,700,000

Skyline Manor "As Stabilized"

Net Operating Income of \$2,460,000 capitalized at 9.50% = \$25,894,737
called \$26,000,000

In the "as is" valuation, the two components are segregated as follows:

Skyline Manor	\$13,100,000
Skyline Villa	<u>5,600,000</u>
Total	\$18,700,000

In the "as stabilized" value, the two components are segregated as follows:

Skyline Manor	\$14,600,000
Skyline Villa	<u>11,400,000</u>
Total	\$26,000,000

RECONCILIATION OF VALUE INDICATIONS

From the preceding, the following indications of value have been developed throughout this appraisal report:

	<u>Skyline Manor</u>	<u>Skyline Villa</u>	<u>Total</u>
Cost Approach "As Is"			
Land	\$2,160,000	\$840,000	\$3,000,000
Improvements	\$11,040,000	\$4,900,000	\$15,940,000
Total	\$13,200,000	\$5,740,000	\$18,940,000
Cost Approach "As Stabilized"			
Land	\$2,160,000	\$840,000	\$3,000,000
Improvements	\$15,740,000	\$9,800,000	\$25,540,000
Total	\$17,900,000	\$10,640,000	\$28,540,000
Sales Comparison Approach "As Is"	\$12,000,000	\$6,000,000	\$18,000,000
Sales Comparison Approach "As Stabilized"	\$15,000,000	\$11,800,000	\$26,800,000
Income Capitalization Approach "As Is"	\$13,100,000	\$5,600,000	\$18,700,000
Income Capitalization Approach "As Stabilized"	\$14,600,000	\$11,400,000	\$26,000,000

	<u>"As Is"</u>	<u>"As Stabilized"</u>
Valuation of Skyline Manor and Skyline Villa	\$18,500,000	\$26,000,000

RECONCILIATION OF VALUE INDICATIONS (CONTINUED)

Cost Approach

In the Cost Approach, the value indication was arrived at in the following manner:

- 1) I presented 9 institutional and/or multi-family land sales. Sales 3, 5, and 6 were adjusted to the subject property on a Land Sales Adjustment Grid on Page 47. The adjusted sales ranged from a low of \$5.25 per square foot for adjusted Sale 3 to a high of \$5.52 per square foot for adjusted Sale 5. I concluded my value at \$5.00 per square foot or \$3,000,000. This amount was segregated as \$2,160,000 for Skyline Manor and \$840,000 for Skyline Villa.
- 2) The reproduction cost new of the subject property was estimated through the use of the Marshall Valuation Service's cost index.
- 3) Depreciation was estimated using the age/life method. The effective age of the subject was much less than the chronological age due to the extensive recent remodeling. I estimated the effective age at 20 years and the economic life at 60 years for a total physical depreciation of 33%.
- 4) In the "as is" valuation, external obsolescence of 30% was applied. The subject currently has a vacancy of 22% for the entire facility. The occupancy of the different components is currently 85% for Skyline Manor independent living units, 77% for Skyline Manor apartments, 94% for the assisted living, and 84% for the skilled nursing. The memory care is currently in the "lease up" stage or 0% occupancy, which lowers the overall occupancy of the subject to an average of 78%.

Sales Comparison Approach

In the Sales Comparison Approach, the value indication of Skyline Manor was estimated at \$12,000,000 in the "as is" scenario and \$15,000,000 in the "as stabilized" scenario. Skyline Villa was estimated at \$6,000,000 in the "as is" valuation \$11,800,000 in the "as stabilized" valuation.

- 1) Six sales of assisted living facilities were researched. Unfortunately, there were no 2012 or 2013 sales available in the Omaha Metropolitan Area.
- 2) In the case of Skyline Manor, I adjusted three sales (3, 5, and 6) to the subject property in the "as is" valuation for a concluded value of \$80,000 per unit. The concluded value on the "as stabilized" value was \$100,000 per unit.
- 3) The applicable units of comparison were price per square foot and price per unit. These units of comparison were:

Skyline Manor "As Is" – \$90 per square foot and \$80,000 per unit

Skyline Manor "As Stabilized" – \$110 per square foot and \$100,000 per unit

Skyline Villa "As Is" – \$34 per square foot and \$30,000 per unit

Skyline Villa "As Stabilized" – \$65 per square foot and \$60,000 per unit

RECONCILIATION OF VALUE INDICATIONS (CONTINUED)

Income Capitalization Approach

In the Income Capitalization Approach, the subject property was valued as follows:

- 1) Skyline Manor had an “as is” valuation of \$13,100,000 and Skyline Village at \$5,600,000 for a total of \$18,700,000. In the “as stabilized” valuation,
- 2) Skyline Manor had a value of \$14,600,000 and Skyline was valued at \$11,400,000 for a total of \$26,000,000.
- 3) I utilized a capitalization rate of 9.50%. This was justified by the Band of Investment Method and is supported by the overall rates developed in the Sales Comparison Approach.

Summary and Conclusion of Value

The data utilized in all three approaches was deemed accurate and reliable. Therefore, after considering and giving weight to each approach, the appraiser estimates the value of the subject property, as of July 8, 2013, to be:

	<u>“As Is”</u>	<u>“As Stabilized” as of 7/2/2013</u>
Skyline Manor	\$12,500,000	\$14,600,000
Skyline Villa	<u>6,000,000</u>	<u>11,400,000</u>
Total	\$18,500,000	\$26,000,000

CERTIFICATION OF THE APPRAISER

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
3. This appraisal report conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation.
4. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
5. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or in use of, this report.
6. I appraised the subject property previously on November 29, 2010, which is as stated in the Certification of this report.
7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
8. This report is intended for use only by AmeriCare Partners, a BMV Management Affiliate; their designees and assignees. Use of this report by others is not intended by the appraiser.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. The undersigned, Dennis J. Knudson, is currently certified under the voluntary continuing education program of the Appraisal Institute.
11. The undersigned holds Appraiser General Certifications in the States of Nebraska (CG920136) and Iowa (CG01610).
12. This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
13. Dennis J. Knudson made a personal inspection of the property that is the subject of this report on July 8, 2013.
14. No one provided professional assistance to the person signing this report.
15. I have appraised numerous properties of this type before, and have the necessary knowledge and experience to competently complete this appraisal assignment.
16. I has not been the object of any lawsuit or regulatory action by any agency or financial institution nor fraud or negligence involving an appraisal report.



Dennis J. Knudson, MAI
Nebraska General Certified Appraiser CG920136

PROFESSIONAL QUALIFICATIONS OF
DENNIS J. KNUDSON, MAI
KNUDSON APPRAISAL SERVICES
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(402)397-2280

EXPERIENCE

Owner of Knudson Appraisal Services, 1011 South 78th Street, Omaha, Nebraska 68114, (402) 397-2280, a full-service real estate appraising firm. Employed by the Douglas County Assessor's Office from 1971 through 1987. Appraisal experience is substantial and includes all classes of property types including residential, multi-family, commercial, industrial, and special purpose properties. Total valuation exceeds one billion dollars. Qualified and served as an expert witness in various courts in Nebraska and Iowa.

PROFESSIONAL ACTIVITIES

MAI, Member of Appraisal Institute

Actively involved in the Appraisal Institute, Past President of Nebraska Chapter 1996

Society of Real Estate Appraisers: SRPA designation, Senior Real Property Appraiser; served as Chapter President for the 1988-1989 fiscal year

International Association of Assessing Officers: CAE, Certified Assessment Evaluator.

STATE LICENSE

Nebraska Certified General Real Property Appraiser, License CG920136
Iowa General Certified Real Property Appraiser, License CG01610
Indiana General Certified Real Property Appraiser, License CG49300092

EDUCATION

St. Edmond High School, Fort Dodge, Iowa; B.S.B.A. Creighton University, 1970. Successfully completed courses 1A, 1B, 2, 4, 6, 7, 8, 10, and 11 offered by the Appraisal Institute. Successfully completed courses 101, R-2, 201, 202, and 301 offered by the Society of Real Estate Appraisers.

CERTIFICATION

Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.